

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

AUDIT REPORT

OF

TOWN OF LIBERTY

UNION COUNTY, INDIANA

January 1, 2007 to December 31, 2008



**FILED**  
11/30/2009



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cheryl Begley	01-01-04 to 12-31-11
President of the Town Council	Chris Rosenberger	01-01-07 to 12-31-09
Superintendent of Water Utility	Fielding Tipton	01-01-07 to 12-31-09
Superintendent of Wastewater Utility	David Woeste Matt Reuss	01-01-07 to 03-31-08 04-01-08 to 12-31-09



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

TO: THE OFFICIALS OF THE TOWN OF LIBERTY, UNION 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 Town of Liberty (Town), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town'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 Town 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 Town as of December 31, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated September 30, 2009, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. 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.

The Schedules of Funding Progress, 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 Town 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 Town'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 required parts 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

September 30, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF LIBERTY, UNION COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, units, each major fund, and the aggregate remaining fund information of the Town of Liberty (Town), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 30, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2008-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider the deficiencies described in item 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Council, 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

September 30, 2009

TOWN OF LIBERTY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Totals
Primary government:						
Governmental activities:						
General government	\$ 373,728	\$ 36,195	\$ -	\$ (337,533)	\$ -	\$ (337,533)
Public safety	330,147	1,430	-	(328,717)	-	(328,717)
Highways and streets	169,916	-	-	(169,916)	-	(169,916)
Capital outlay	68,442	-	63,154	(5,288)	-	(5,288)
Culture and recreation	6,568	-	-	(6,568)	-	(6,568)
Total governmental activities	948,801	37,625	63,154	(848,022)	-	(848,022)
Business-type activities:						
Water	471,354	504,515	-	-	33,161	33,161
Wastewater	4,163,819	855,512	3,556,564	-	248,257	248,257
Total business-type activities	4,635,173	1,360,027	3,556,564	-	281,418	281,418
Total primary government	\$ 5,583,974	\$ 1,397,652	\$ 3,619,718	(848,022)	281,418	(566,604)
General receipts:						
Property taxes				45,187	-	45,187
Other local sources				491,322	-	491,322
Grants and contributions not restricted to specific programs				381,360	-	381,360
Unrestricted investment earnings				39,092	-	39,092
Total general receipts				956,961	-	956,961
Change in net assets				108,939	281,418	390,357
Net assets - beginning				1,246,149	743,810	1,989,959
Net assets - ending				\$ 1,355,088	\$ 1,025,228	\$ 2,380,316
<b>Assets</b>						
Cash and investments				\$ 937,957	\$ -	\$ 937,957
Cash with fiscal agent				-	221,118	221,118
Restricted assets:						
Cash and investments				417,131	804,110	1,221,241
Total assets				\$ 1,355,088	\$ 1,025,228	\$ 2,380,316
<b>Net Assets</b>						
Restricted for:						
Highway and street				\$ 96,570	\$ -	\$ 96,570
Capital outlay				320,561	-	320,561
Debt service				-	396,984	396,984
Other purposes				-	628,244	628,244
Unrestricted				937,957	-	937,957
Total net assets				\$ 1,355,088	\$ 1,025,228	\$ 2,380,316

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

TOWN OF LIBERTY  
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, 2007

	General	Motor Vehicle Highway	Economic Development Income Tax	Cumulative Capital Development	Other Governmental Funds	Totals
<b>Receipts:</b>						
Taxes	\$ 482,977	\$ 21,154	\$ -	\$ 17,175	\$ 11,415	\$ 532,721
Licenses and permits	50	-	-	-	1,380	1,430
Intergovernmental	185,292	147,753	53,655	1,357	33,603	421,660
Charges for services	31,138	860	-	-	3,626	35,624
Fines and forfeits	4,197	-	-	-	-	4,197
Other	47,092	-	-	-	15,016	62,108
<b>Total receipts</b>	<b>750,746</b>	<b>169,767</b>	<b>53,655</b>	<b>18,532</b>	<b>65,040</b>	<b>1,057,740</b>
<b>Disbursements:</b>						
General government	362,401	-	-	-	-	362,401
Public safety	327,894	-	-	-	10,380	338,274
Highways and streets	-	169,916	-	-	14,000	183,916
Culture and recreation	2,905	-	-	-	6,863	9,768
Capital outlay:						
Highways and streets	-	52,997	1,295	150	-	54,442
<b>Total disbursements</b>	<b>693,200</b>	<b>222,913</b>	<b>1,295</b>	<b>150</b>	<b>31,243</b>	<b>948,801</b>
Excess (deficiency) of receipts over disbursements	57,546	(53,146)	52,360	18,382	33,797	108,939
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	57,546	(53,146)	52,360	18,382	33,797	108,939
Cash and investment fund balance - beginning	374,422	140,996	339,643	194,456	196,632	1,246,149
Cash and investment fund balance - ending	\$ 431,968	\$ 87,850	\$ 392,003	\$ 212,838	\$ 230,429	\$ 1,355,088
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ 431,968	\$ -	\$ 392,003	\$ -	\$ 113,987	\$ 937,958
Restricted assets:						
Cash and investments	-	87,850	-	212,838	116,442	417,130
<b>Total cash and investment assets - December 31</b>	<b>\$ 431,968</b>	<b>\$ 87,850</b>	<b>\$ 392,003</b>	<b>\$ 212,838</b>	<b>\$ 230,429</b>	<b>\$ 1,355,088</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Highway and streets	\$ -	\$ 87,850	\$ -	\$ -	\$ 8,719	\$ 96,569
Capital outlay	-	-	-	212,838	107,723	320,561
Unrestricted	431,968	-	392,003	-	113,987	937,958
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 431,968</b>	<b>\$ 87,850</b>	<b>\$ 392,003</b>	<b>\$ 212,838</b>	<b>\$ 230,429</b>	<b>\$ 1,355,088</b>

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

TOWN OF LIBERTY  
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, 2007

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Unmetered water receipts	\$ 6,717	\$ -	\$ 6,717
Metered water receipts:			
Residential	290,979	-	290,979
Commercial and industrial sales	-	27,311	27,311
Fire protection receipts	10,150	-	10,150
Penalties	-	11,745	11,745
Other water receipts	2,325	-	2,325
Flat rate receipts	12,377	-	12,377
Measured revenue	-	539,475	539,475
Tap and connection fees	-	1,950	1,950
Other	20,691	34,970	55,661
Total operating receipts	<u>343,239</u>	<u>615,451</u>	<u>958,690</u>
Operating disbursements:			
Equipment and capital improvements	35,338	22,755	58,093
Customer accounts	10,472	-	10,472
Salaries and wages	65,233	150,751	215,984
Employee pensions and benefits	43,488	64,842	108,330
Purchased power	22,692	23,723	46,415
Chemicals	3,063	5,698	8,761
Material and supplies	24,687	27,434	52,121
Contractual services	23,040	25,615	48,655
Rents	419	-	419
Transportation disbursements	-	6,471	6,471
Insurance disbursements	9,498	8,287	17,785
Miscellaneous disbursements	5,155	31,395	36,550
Total operating disbursements	<u>243,085</u>	<u>366,971</u>	<u>610,056</u>
Excess of operating receipts over operating disbursements	<u>100,154</u>	<u>248,480</u>	<u>348,634</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	13,204	7,652	20,856
Miscellaneous receipts	12,100	-	12,100
Debt service of principal	(48,000)	-	(48,000)
Interest and investment disbursement	(23,693)	(7,875)	(31,568)
Capital expenditures	-	(3,556,564)	(3,556,564)
Miscellaneous disbursements	(20,604)	-	(20,604)
Total nonoperating disbursements	<u>(66,993)</u>	<u>(3,556,787)</u>	<u>(3,623,780)</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	<u>33,161</u>	<u>(3,308,307)</u>	<u>(3,275,146)</u>
SRF bond proceeds	<u>-</u>	<u>3,556,564</u>	<u>3,556,564</u>
Excess of receipts, contributions and transfers in over disbursements and transfers out	<u>33,161</u>	<u>248,257</u>	<u>281,418</u>
Cash and investment fund balance - beginning	<u>511,845</u>	<u>231,965</u>	<u>743,810</u>
Cash and investment fund balance - ending	<u>\$ 545,006</u>	<u>\$ 480,222</u>	<u>\$ 1,025,228</u>
<u>Cash and Investment Assets - December 31</u>			
Cash with fiscal agent	\$ -	\$ 221,078	\$ 221,078
Restricted assets:			
Cash and investments	<u>545,006</u>	<u>259,144</u>	<u>804,150</u>
Total cash and investment assets - December 31	<u>\$ 545,006</u>	<u>\$ 480,222</u>	<u>\$ 1,025,228</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ -	\$ 221,078	\$ 221,078
Other purposes	<u>545,006</u>	<u>259,144</u>	<u>804,150</u>
Total cash and investment fund balance - December 31	<u>\$ 545,006</u>	<u>\$ 480,222</u>	<u>\$ 1,025,228</u>

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

TOWN OF LIBERTY  
STATEMENT OF CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2007

	<u>Agency Funds</u>
Cash and investment fund balance - ending	\$ <u>60,943</u>

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

TOWN OF LIBERTY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Totals
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 395,223	\$ 7,263	\$ -	\$ (387,960)	\$ -	\$ (387,960)
Public safety	331,404	4,260	-	(327,144)	-	(327,144)
Highways and streets	267,823	-	-	(267,823)	-	(267,823)
Culture and recreation	-	39,394	-	39,394	-	39,394
Total governmental activities	994,450	50,917	-	(943,533)	-	(943,533)
Business-type activities:						
Water	445,113	494,164	-	-	49,051	49,051
Wastewater	2,809,485	1,291,624	1,584,916	-	67,055	67,055
Total business-type activities	3,254,598	1,785,788	1,584,916	-	116,106	116,106
Total primary government	\$ 4,249,048	\$ 1,836,705	\$ 1,584,916	(943,533)	116,106	(827,427)
General receipts:						
Property taxes				559,075	-	559,075
Other local sources				20,603	-	20,603
Intergovernmental				409,140	-	409,140
Grants and contributions not restricted to specific programs				46,526	-	46,526
Unrestricted investment earnings				20,689	-	20,689
Total general receipts				1,056,033	-	1,056,033
Change in net assets				112,500	116,106	228,606
Net assets - beginning				1,355,088	1,025,228	2,380,316
Net assets - ending				\$ 1,467,588	\$ 1,141,334	\$ 2,608,922
<b>Assets</b>						
Cash and investments				\$ 1,467,588	\$ -	\$ 1,467,588
Cash with fiscal agent				-	301,012	301,012
Restricted assets:						
Cash and investments				-	840,322	840,322
Total assets				\$ 1,467,588	\$ 1,141,334	\$ 2,608,922
<b>Net Assets</b>						
Restricted for:						
Debt service				\$ -	\$ 503,636	\$ 503,636
Other purposes				-	637,698	637,698
Unrestricted				1,467,588	-	1,467,588
Total net assets				\$ 1,467,588	\$ 1,141,334	\$ 2,608,922

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

TOWN OF LIBERTY  
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, 2008

	General	Motor Vehicle Highway	Economic Development Income Tax	Cumulative Capital Development	Other Governmental Funds	Totals
<b>Receipts:</b>						
Taxes	\$ 481,968	\$ 49,910	\$ -	\$ 16,338	\$ 10,859	\$ 559,075
Licenses and permits	-	-	-	-	1,200	1,200
Intergovernmental	194,040	111,024	50,522	2,602	50,951	409,139
Charges for services	40,454	1,510	-	-	3,060	45,024
Fines and forfeits	4,499	45	-	-	150	4,694
Other	38,581	1,698	30,569	-	16,970	87,818
<b>Total receipts</b>	<b>759,542</b>	<b>164,187</b>	<b>81,091</b>	<b>18,940</b>	<b>83,190</b>	<b>1,106,950</b>
<b>Disbursements:</b>						
General government	297,906	-	-	616	-	298,522
Public safety	302,598	-	-	-	19,973	322,571
Highways and streets	-	187,707	-	-	13,991	201,698
Sanitation	-	-	-	-	388	388
Culture and recreation	-	-	-	-	4,800	4,800
Economic development	-	-	29,274	-	-	29,274
Capital outlay:						
General government	97,318	-	-	-	-	97,318
Public safety	3,645	-	-	-	-	3,645
Highways and streets	-	36,234	-	-	-	36,234
<b>Total disbursements</b>	<b>701,467</b>	<b>223,941</b>	<b>29,274</b>	<b>616</b>	<b>39,152</b>	<b>994,450</b>
Excess (deficiency) of receipts over disbursements	58,075	(59,754)	51,817	18,324	44,038	112,500
Cash and investment fund balance - beginning	431,968	87,850	392,003	212,838	230,429	1,355,088
Cash and investment fund balance - ending	\$ 490,043	\$ 28,096	\$ 443,820	\$ 231,162	\$ 274,467	\$ 1,467,588
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ 490,043	\$ 28,096	\$ 443,820	\$ 231,162	\$ 142,388	\$ 1,335,509
Restricted assets:						
Cash and investments	-	-	-	-	132,079	132,079
<b>Total cash and investment assets - December 31</b>	<b>\$ 490,043</b>	<b>\$ 28,096</b>	<b>\$ 443,820</b>	<b>\$ 231,162</b>	<b>\$ 274,467</b>	<b>\$ 1,467,588</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ 1,857	\$ 1,857
Debt service	-	-	-	-	130,222	130,222
Unrestricted	490,043	28,096	443,820	231,162	142,388	1,335,509
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 490,043</b>	<b>\$ 28,096</b>	<b>\$ 443,820</b>	<b>\$ 231,162</b>	<b>\$ 274,467</b>	<b>\$ 1,467,588</b>

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

TOWN OF LIBERTY  
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, 2008

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Unmetered water receipts	\$ 9,244	\$ -	\$ 9,244
Metered water receipts:			
Residential	289,392	-	289,392
Commercial and industrial sales	-	59,403	59,403
Fire protection receipts	10,250	-	10,250
Penalties	-	14,362	14,362
Other water revenue	2,325	-	2,325
Measured revenue	-	698,352	698,352
Tap and connection fees	5,714	8,715	14,429
Other	21,970	5,822	27,792
	<u>338,895</u>	<u>786,654</u>	<u>1,125,549</u>
Total operating receipts			
Operating disbursements:			
Equipment and capital improvements	1,255	8,661	9,916
Customer accounts	8,251	-	8,251
Salaries and wages	69,458	144,802	214,260
Employee pensions and benefits	49,692	61,511	111,203
Purchased power	21,988	40,789	62,777
Chemicals	3,159	22,026	25,185
Material and supplies	36,683	23,324	60,007
Contractual services	23,031	27,277	50,308
Rents	485	-	485
Transportation disbursements	-	2,654	2,654
Insurance disbursements	5,442	8,078	13,520
Miscellaneous disbursements	21,848	-	21,848
	<u>241,292</u>	<u>339,122</u>	<u>580,414</u>
Total operating disbursements			
Excess of operating receipts over operating disbursements	<u>97,603</u>	<u>447,532</u>	<u>545,135</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	10,349	7,417	17,766
Miscellaneous receipts	13,400	-	13,400
Debt service of principal	(50,000)	(223,000)	(273,000)
Interest and investment disbursement	(22,301)	(164,894)	(187,195)
Capital expenditures	-	(1,584,916)	(1,584,916)
	<u>(48,552)</u>	<u>(1,965,393)</u>	<u>(2,013,945)</u>
Total nonoperating receipts disbursements			
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	49,051	(1,517,861)	(1,468,810)
SRF bond proceeds	-	1,584,916	1,584,916
Excess of receipts, contributions and transfers in over disbursements and transfers out	49,051	67,055	116,106
Cash and investment fund balance - beginning	<u>545,006</u>	<u>480,222</u>	<u>1,025,228</u>
Cash and investment fund balance - ending	<u>\$ 594,057</u>	<u>\$ 547,277</u>	<u>\$ 1,141,334</u>
<u>Cash and Investment Assets - December 31</u>			
Cash with fiscal agent	\$ -	\$ 301,011	\$ 301,011
Restricted assets:			
Cash and investments	<u>594,057</u>	<u>246,266</u>	<u>840,323</u>
Total cash and investment assets - December 31	<u>\$ 594,057</u>	<u>\$ 547,277</u>	<u>\$ 1,141,334</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ -	\$ 301,011	\$ 301,011
Other purposes	<u>594,057</u>	<u>246,266</u>	<u>840,323</u>
Total cash and investment fund balance - December 31	<u>\$ 594,057</u>	<u>\$ 547,277</u>	<u>\$ 1,141,334</u>

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

TOWN OF LIBERTY  
STATEMENT OF CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2008

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ 78,163</u>

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

TOWN OF LIBERTY  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Town's financial reporting entity is composed of the following:

Primary Government: Town of Liberty

In determining the financial reporting entity, the Town 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. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the Town has not established any enterprise funds.

The Town 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 motor vehicle highway fund accounts for financial resources for highway, streets and roads.

The economic development income tax fund accounts for financial resources for economic development.

The cumulative capital development fund accounts for financial resources for capital improvements.

TOWN OF LIBERTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The Town reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

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

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent for other governmental units.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and proprietary 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 Town 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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. The Town does not have any internal service funds.

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.

TOWN OF LIBERTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed on or prior to December 31 of the year collected.

3. 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.

4. 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.

5. 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 Town'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.

TOWN OF LIBERTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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 government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

TOWN OF LIBERTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 Town 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 Town receives approval of the Indiana Department of Local Government Finance.

The Town'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.

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 Town does not have a deposit policy for custodial credit risk.

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

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the Town 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

TOWN OF LIBERTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

government sponsored enterprise. Indiana Code also authorizes the Town 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 Town 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 Town may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Town'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.

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 Town 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 Town must follow state statute and limit the stated final maturities of the investments to no more than two years. The Town does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have a formal investment policy for credit risk for investments.

TOWN OF LIBERTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town 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 Town does not have a formal policy in regards to foreign currency risk.

IV. Other Information

A. Risk Management

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

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

B. Subsequent Events

The Water Utility received a Clean Water State Revolving Loan Fund grant in the amount of \$695,000 and bond anticipation notes (stimulus funds) in the amount of \$463,600 to extend water lines west of the Town limits.

C. Rate Structure – Enterprise Funds

Water Utility

On May 6, 1986, the Town Council adopted Ordinance 1986-2 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on May 9, 2009.

Wastewater Utility

The current rate structure was approved by the Town Council on September 25, 2006.

TOWN OF LIBERTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town 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 Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Town'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 Town and the Utilities is not available.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 41,176
Interest on net pension obligation	(870)
Adjustment to annual required contribution	991
Annual pension cost	41,297
Contributions made	33,875
Increase (decrease) in net pension obligation	7,422
Net pension obligation, beginning of year	(11,997)
Net pension obligation, end of year	\$ (4,575)

TOWN OF LIBERTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF
Contribution rates:	
Town	7.5%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>	PERF
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%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 35,806	75%	\$ (12,747)
	06-30-07	30,461	98%	(11,997)
	06-30-08	41,297	82%	(4,575)

TOWN OF LIBERTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 560,469	\$ 604,336	\$ (43,867)	93%	\$ 485,516	(9%)
07-01-07	646,961	753,671	(106,710)	86%	559,950	(19%)
07-01-08	564,786	701,026	(136,240)	81%	489,355	(28%)

TOWN OF LIBERTY  
 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, 2007

	Local Road and Street	Law Enforcement Continuing Education	Donation	Rainy Day Fund	State Grant	Riverboat Fund	Cumulative Capital Improvement	Cumulative Building and Fire Fighting	Totals
<b>Receipts:</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,415	\$ 11,415
Licenses and permits	-	1,380	-	-	-	-	-	-	1,380
Intergovernmental	7,640	-	-	1,163	3,663	12,996	7,239	902	33,603
Charges for services	-	-	-	-	-	-	-	3,626	3,626
Other	-	-	15,016	-	-	-	-	-	15,016
<b>Total receipts</b>	<b>7,640</b>	<b>1,380</b>	<b>15,016</b>	<b>1,163</b>	<b>3,663</b>	<b>12,996</b>	<b>7,239</b>	<b>15,943</b>	<b>65,040</b>
<b>Disbursements:</b>									
Public safety	-	2,253	8,127	-	-	-	-	-	10,380
Highways and streets	14,000	-	-	-	-	-	-	-	14,000
Culture and recreation	-	-	3,200	-	3,663	-	-	-	6,863
<b>Total disbursements</b>	<b>14,000</b>	<b>2,253</b>	<b>11,327</b>	<b>-</b>	<b>3,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,243</b>
Excess (deficiency) of receipts over disbursements	(6,360)	(873)	3,689	1,163	-	12,996	7,239	15,943	33,797
Cash and investment fund balance - beginning	15,079	4,151	4,334	36,533	-	51,994	7,042	77,499	196,632
Cash and investment fund balance - ending	<u>\$ 8,719</u>	<u>\$ 3,278</u>	<u>\$ 8,023</u>	<u>\$ 37,696</u>	<u>\$ -</u>	<u>\$ 64,990</u>	<u>\$ 14,281</u>	<u>\$ 93,442</u>	<u>\$ 230,429</u>
<b>Cash and Investment Assets - December 31</b>									
Cash and investments	\$ -	\$ 3,278	\$ 8,023	\$ 37,696	\$ -	\$ 64,990	\$ -	\$ -	\$ 113,987
Restricted assets:									
Cash and investments	8,719	-	-	-	-	-	14,281	93,442	116,442
<b>Total cash and investment assets - December 31</b>	<u>\$ 8,719</u>	<u>\$ 3,278</u>	<u>\$ 8,023</u>	<u>\$ 37,696</u>	<u>\$ -</u>	<u>\$ 64,990</u>	<u>\$ 14,281</u>	<u>\$ 93,442</u>	<u>\$ 230,429</u>
<b>Cash and Investment Fund Balance - December 31</b>									
Restricted for:									
Highway and streets	\$ 8,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,719
Capital outlay	-	-	-	-	-	-	14,281	93,442	107,723
Unrestricted	-	3,278	8,023	37,696	-	64,990	-	-	113,987
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 8,719</u>	<u>\$ 3,278</u>	<u>\$ 8,023</u>	<u>\$ 37,696</u>	<u>\$ -</u>	<u>\$ 64,990</u>	<u>\$ 14,281</u>	<u>\$ 93,442</u>	<u>\$ 230,429</u>

TOWN OF LIBERTY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2007

	<u>Payroll</u>	<u>Township Fire</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 581,533	\$ 79,133	\$ 660,666
Deductions:			
Agency fund deductions	<u>581,498</u>	<u>65,568</u>	<u>647,066</u>
Excess (deficiency) of total additions over total deductions	35	13,565	13,600
Cash and investment fund balance - beginning	<u>1,027</u>	<u>46,316</u>	<u>47,343</u>
Cash and investment fund balance - ending	<u>\$ 1,062</u>	<u>\$ 59,881</u>	<u>\$ 60,943</u>

TOWN OF LIBERTY  
 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, 2008

	Local Road and Street	Law Enforcement Continuing Education	Donation	Rainy Day Fund	Riverboat Fund	Cumulative Capital Improvement	Cumulative Building and Fire Fighting	Totals
<b>Receipts:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,859	\$ 10,859
Licenses and permits	-	1,200	-	-	-	-	-	1,200
Intergovernmental	7,129	-	-	22,463	12,929	6,702	1,728	50,951
Charges for services	-	-	-	-	-	-	3,060	3,060
Fines and forfeits	-	-	-	-	-	-	150	150
Other	-	-	16,970	-	-	-	-	16,970
<b>Total receipts</b>	<b>7,129</b>	<b>1,200</b>	<b>16,970</b>	<b>22,463</b>	<b>12,929</b>	<b>6,702</b>	<b>15,797</b>	<b>83,190</b>
<b>Disbursements:</b>								
Public safety	-	2,602	17,371	-	-	-	-	19,973
Highways and streets	13,991	-	-	-	-	-	-	13,991
Sanitation	-	-	388	-	-	-	-	388
Culture and recreation	-	-	4,800	-	-	-	-	4,800
<b>Total disbursements</b>	<b>13,991</b>	<b>2,602</b>	<b>22,559</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,152</b>
Excess (deficiency) of receipts over disbursements	(6,862)	(1,402)	(5,589)	22,463	12,929	6,702	15,797	44,038
Cash and investment fund balance - beginning	8,719	3,278	8,023	37,696	64,990	14,281	93,442	230,429
Cash and investment fund balance - ending	<u>1,857</u>	<u>1,876</u>	<u>2,434</u>	<u>60,159</u>	<u>77,919</u>	<u>20,983</u>	<u>109,239</u>	<u>274,467</u>
<b>Cash and Investment Assets - December 31</b>								
Cash and investments	\$ -	\$ 1,876	\$ 2,434	\$ 60,159	\$ 77,919	\$ -	\$ -	\$ 142,388
Restricted assets:								
Cash and investments	1,857	-	-	-	-	20,983	109,239	132,079
<b>Total cash and investment assets - December 31</b>	<u>1,857</u>	<u>1,876</u>	<u>2,434</u>	<u>60,159</u>	<u>77,919</u>	<u>20,983</u>	<u>109,239</u>	<u>274,467</u>
<b>Cash and Investment Fund Balance - December 31</b>								
Restricted for:								
Highway and streets	\$ 1,857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,857
Capital outlay	-	-	-	-	-	20,983	109,239	130,222
Unrestricted	-	1,876	2,434	60,159	77,919	-	-	142,388
<b>Total cash and investment fund balance - December 31</b>	<u>1,857</u>	<u>1,876</u>	<u>2,434</u>	<u>60,159</u>	<u>77,919</u>	<u>20,983</u>	<u>109,239</u>	<u>274,467</u>

TOWN OF LIBERTY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2008

	<u>Payroll</u>	<u>Township Fire</u>	<u>Totals</u>
Additions:			
Agency fund additions	<u>\$ 590,375</u>	<u>\$ 79,978</u>	<u>\$ 670,353</u>
Deductions:			
Agency fund deductions	<u>588,736</u>	<u>64,397</u>	<u>653,133</u>
Excess of total additions over total deductions	1,639	15,581	17,220
Cash and investment fund balance - beginning	<u>1,062</u>	<u>59,881</u>	<u>60,943</u>
Cash and investment fund balance - ending	<u><u>\$ 2,701</u></u>	<u><u>\$ 75,462</u></u>	<u><u>\$ 78,163</u></u>

TOWN OF LIBERTY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2008

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>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 5,000
Infrastructure	417,784
Buildings	244,721
Improvements other than buildings	262,434
Machinery and equipment	<u>934,807</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,864,746</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 20,241
Buildings	165,388
Improvements other than buildings	2,760,169
Machinery and equipment	<u>180,253</u>
 Total Water Utility capital assets	 <u>3,126,051</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	71,666
Construction in progress	383,443
Buildings	1,187,181
Improvements other than buildings	3,630,332
Machinery and equipment	<u>2,371,219</u>
 Total Wastewater Utility capital assets	 <u>7,643,841</u>
 Total business-type activities capital assets	 <u>\$ 10,769,892</u>

TOWN OF LIBERTY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2008

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
2000 Water Improvement	\$ 719,000	\$ 71,567
Total Water Utility	<u>719,000</u>	<u>71,567</u>
Wastewater Utility:		
Revenue bonds:		
Wastewater Treatment Plant	5,377,000	61,505
Total Wastewater Utility	<u>5,377,000</u>	<u>61,505</u>
Total business-type activities debt	<u>\$ 6,096,000</u>	<u>\$ 133,072</u>

TOWN OF LIBERTY  
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to undetected.
2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. Monitoring of Controls: Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE TOWN OF LIBERTY, UNION COUNTY, INDIANA

### Compliance

We have audited the compliance of the Town of Liberty (Town) 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 years ended December 31, 2007 and 2008. The Town'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 Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Town'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 Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2008.

### Internal Control Over Compliance

The management of the Town 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 Town'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

A control deficiency in a Town's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Council, 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

September 30, 2009

TOWN OF LIBERTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-07	Total Federal Awards Expended 12-31-08
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water-State Revolving Funds	66.458	WW0511811	\$ 1,566,311	\$ 697,997
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance	97.036	DFR 031 DRF 032	- -	2,992 2,915
Total for federal grantor agency			-	5,907
Total federal awards expended			<u>\$ 1,566,311</u>	<u>\$ 703,904</u>

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

TOWN OF LIBERTY  
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 Town of Liberty (Town) 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.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF LIBERTY  
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?	yes
Significant deficiencies 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
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water-State Revolving Funds

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

Auditee qualified as low-risk auditee? no

TOWN OF LIBERTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Section II – Financial Statement Findings

FINDING 2008-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF LIBERTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CORPORATION OF LIBERTY  
P.O.BOX 7 LIBERTY, IN 47353  
765-458-5823  
CHERYL BEGLEY, CLERK-TREASURER

Chris Rosenberger- President  
Gerald Paul  
Pete Petro

Ross Keasling-Vice President  
Jim Hensley  
Mike Douglass-Attorney

September 30, 2009

Dear State Board of Accounts,

In response to the lack of segregation of duties finding. The Town of Liberty shall immediately review its control procedures to obtain required maximum internal control.

Sincerely,



TOWN OF LIBERTY  
EXIT CONFERENCE

The contents of this report were discussed on September 30, 2009, with Cheryl Begley, Clerk-Treasurer; and Chris Rosenberger, President of the Town Council. The officials concurred with our finding.