

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

EXAMINATION REPORT
OF
CITY OF LIGONIER
NOBLE COUNTY, INDIANA
January 1, 2008 to December 31, 2008



FILED
12/22/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Norma Brady	01-01-08 to 12-31-11
Mayor	Patricia Fisel	01-01-08 to 12-31-11
President of the Town Council	Kenneth Shuman	01-01-08 to 12-31-09
President of the Board of Public Works and Safety	Patricia Fisel	01-01-08 to 12-31-09
Superintendent of Water Utility	Jeffrey Boyle	01-01-08 to 12-31-11
Superintendent of Wastewater Utility	Environmental Management Corporation	01-01-08 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF LIGONIER, NOBLE COUNTY, INDIANA

We have examined the financial information presented herein of the City of Ligonier (City), for the period of January 1, 2008 to December 31, 2008. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

November 18, 2009

CITY OF LIGONIER
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 356,491	\$ 1,338,912	\$ 1,584,036	\$ 111,367
Motor Vehicle Highway	66,030	533,491	395,313	204,208
Local Road and Street	121,818	21,447	66,837	76,428
Park and Recreation	20,571	91,038	101,061	10,548
Law Enforcement Continuing Education	4,190	5,271	4,004	5,457
Riverboat	28,391	27,322	-	55,713
Sports/Recreation	40,415	118,680	125,416	33,679
Park Nonreverting Operating	2,030	22,007	19,705	4,332
Rex Hagen Family Foundation	-	15,000	-	15,000
City Gift	2,944	6,195	2,596	6,543
Park Gift	3,251	38,295	12,425	29,121
Fire Grant	405	-	-	405
Rainy Day	165,483	42,383	6,925	200,941
State Grant	-	3,190	-	3,190
Thompson Beautification	198	4,367	514	4,051
Redevelopment Authority Lease Payment	269,250	-	148,286	120,964
Redevelopment Authority Debt Service Reserve	269,019	8,461	-	277,480
Land Purchase	23,997	275	-	24,272
Downtown Redevelopment	610	-	-	610
General Improvement	54,672	39,124	-	93,796
Park Nonreverting Capital	6,393	153	-	6,546
TIF Number 2 - Warren	681,756	573,253	18,468	1,236,541
CEDIT	285,116	172,819	335,899	122,036
Cumulative Capital Improvement	27,166	7,445	-	34,611
Cumulative Capital Development	69,613	59,377	-	128,990
Cumulative Building and Fire Fighting Equipment	80,674	32,942	24,150	89,466
General Obligation Bonds	-	629,690	28,188	601,502
Proprietary Funds:				
Water Utility - Operating	103,364	852,566	458,895	497,035
Water Utility - Bond and Interest	192,751	11,741	360,425	(155,933)
Water Utility - Depreciation	10,662	875	50	11,487
Water Utility - Customer Deposit	11,780	2,750	2,500	12,030
Water Utility - Construction	8,880	-	161,285	(152,405)
Water Utility - Debt Service Reserve	326,250	578	-	326,828
Wastewater Utility - Operating	1,800,073	966,977	635,099	2,131,951
Wastewater Utility - Bond and Interest	1,090,349	686,411	904,838	871,922
Wastewater Utility - Depreciation	232,344	7,065	-	239,409
Wastewater Utility - Construction	601,338	-	614,822	(13,484)
Wastewater Utility - Debt Service Reserve	275,000	103,404	-	378,404
Indiana Employment	15,789	-	4,281	11,508
Fiduciary Fund:				
Payroll	1,401	1,325,304	1,398,553	(71,848)
Totals	<u>\$ 7,250,464</u>	<u>\$ 7,748,808</u>	<u>\$ 7,414,571</u>	<u>\$ 7,584,701</u>

The accompanying notes are an integral part of the financial information.

CITY OF LIGONIER
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highways and streets, culture and recreation, public improvements, planning and zoning, urban development, water, wastewater, and general administrative services.

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

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and 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 to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely 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.

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

CITY OF LIGONIER
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' 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. That report may be obtained by contacting:

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

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

CITY OF LIGONIER
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Street Sweeper	\$ 43,426	\$ 23,324
2008 Crown Victoria	7,240	7,718
Fire Truck	132,941	48,299
Injection Patcher Trailer	43,900	8,872
Bonds payable:		
General obligation bonds:		
Street Improvements	650,000	16,191
Redevelopment Lease Rental Bonds	<u>2,575,000</u>	<u>270,373</u>
Total governmental activities debt	<u>\$ 3,452,507</u>	<u>\$ 374,777</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
1998 Revenue Bonds	\$ 1,905,000	\$ 198,593
2003 Revenue Bonds	<u>1,200,000</u>	<u>112,558</u>
Total Water Utility	<u>3,105,000</u>	<u>311,151</u>
Wastewater Utility:		
Revenue bonds:		
2002 Bonds (Loan)	1,754,000	100,475
2005 Revenue Bonds	3,220,000	518,158
2006 Revenue Bonds	<u>4,000,000</u>	<u>184,308</u>
Total Wastewater Utility	<u>8,974,000</u>	<u>802,941</u>
Total business-type activities debt:	<u>\$ 12,079,000</u>	<u>\$ 1,114,092</u>

CITY OF LIGONIER
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

The accounting firm H.J. Umbaugh and Associates, was hired to perform bank reconciliations through December 2008. The records did reconcile to the bank accounts as of December 31, 2008. However, monthly reconciliations have not been done in 2009.

IC 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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

CAPITAL ASSET RECORDS

The City does not maintain sufficient detailed records of capital assets for the City, Water Utility, and Wastewater Utility. Upon purchase, the costs of the capital assets are not added to a listing of capital assets. Records classifying and summarizing the capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

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

ORDINANCES AND RESOLUTIONS

The City has adopted ordinances concerning bond transfers to debt service funds to cover bond payments of the City, Water, and Wastewater Utilities. However, the City did not make these transfers which resulted in a negative fund balance at December 31, 2008, for the Water Utility - Bond and Interest Fund.

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)

OVERDRAWN FUND BALANCES

The Payroll Fund, Wastewater Utility - Construction Fund, Water Utility - Construction Fund, and the Water Utility - Bond and Interest Fund were overdrawn at December 31, 2008.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF LIGONIER
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2009, with Norma Brady, Clerk-Treasurer. The official concurred with our findings.