

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF LIGONIER  
NOBLE COUNTY, INDIANA

January 1, 2012 to December 31, 2012



**FILED**  
09/25/2013



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report .....	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards .....	6-7
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis .....	10
Notes to Financial Statement .....	11-14
Supplementary Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis .....	16-26
Schedule of Payables and Receivables .....	27
Schedule of Leases and Debt .....	28
Audit Results and Comments:	
Internal Controls - Payroll .....	29
Internal Controls Over Financial Transactions and Reporting - Schedule of Expenditures Federal Awards (SEFA) .....	29
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance .....	32-33
Schedule of Expenditures of Federal Awards .....	36
Note to Schedule of Expenditures of Federal Awards .....	37
Schedule of Findings and Questioned Costs .....	38-40
Auditee Prepared Schedule:	
Corrective Action Plan .....	41
Exit Conference .....	42

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Barbara Hawn	01-01-12 to 12-31-15
Mayor	Patricia Fisel	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Patricia Fisel	01-01-12 to 12-31-13
President of the Common Council	Kenneth Schuman	01-01-12 to 12-31-13
Superintendent of Water Utility	Jeffrey Boyle	01-01-12 to 12-31-13
Superintendent of Wastewater Utility	Mark Schultz	01-01-12 to 12-31-13



## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the City of Ligonier (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated September 16, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

***Accompanying Information***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.



Bruce Hartman  
State Examiner

September 16, 2013



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, 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, the financial statement of the City of Ligonier (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated September 16, 2013, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1 and 2012-2 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

***Compliance and Other Matters***

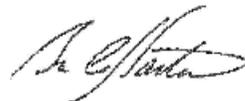
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2.

***City of Ligonier's Response to Findings***

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman  
State Examiner

September 16, 2013

(This page intentionally left blank.)

## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF LIGONIER  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
GENERAL	\$ 275,495	\$ 1,763,962	\$ 1,824,604	\$ 214,853
MOTOR VEHICLE HIGHWAY	137,977	319,752	320,509	137,220
LOCAL ROAD AND STREETS	43,653	18,413	13,669	48,397
PARK NONREVERTING OPERATING	6,641	30,563	35,929	1,275
LAW ENFORCEMENT CONTINUING EDUCATION	6,896	3,760	8,977	1,679
PARK AND RECREATION	47,684	112,831	126,417	34,098
RAINY DAY	237,365	66,578	-	303,943
COUNTY ECONOMIC DEVELOPMENT INCOME TAX	166,646	168,092	119,529	215,209
LIGONIER FORFEITURE	637	-	-	637
LEVY EXCESS	-	15,336	-	15,336
CUMULATIVE CAPITAL DEVELOPMENT	243,048	39,301	80,786	201,563
PARK NONREVERTING CAPITAL	6,603	-	-	6,603
CUMULATIVE FIRE	106,792	26,493	-	133,285
GENERAL IMPROVEMENT	151,027	9,886	-	160,913
CUMULATIVE CAPITAL IMPROVEMENT	73,272	11,683	13,000	71,955
RIVERBOAT	98,905	26,171	24,499	100,577
SPORTS AND RECREATION CENTER	49,635	111,648	131,098	30,185
DOWNTOWN REDEVELOPMENT	26	-	-	26
STATE GRANTS	-	25,000	25,000	-
POLICE GRANTS	2,418	13,924	12,606	3,736
GENERAL OBLIGATION BONDS	532,387	812	-	533,199
DEBT SERVICE	86,506	344,427	232,456	198,477
REDEVELOPMENT AUTHORITY LEASE PAYMENT	120,831	272,183	393,014	-
REDEVELOPMENT AUTHORITY DEBT SERVICE RESERVE	273,693	1,216	5,475	269,434
CITY GIFT	17,875	21,050	1,609	37,316
PARK GIFT	53,219	17,091	3,749	66,561
FIRE GRANT	655	3,083	-	3,738
LAND PURCHASE	24,937	-	-	24,937
THOMPSON BEAUTIFICATION	29,160	33,500	5,103	57,557
PAYROLL	24,627	1,119,830	1,132,984	11,473
TIF NUMBER 2 WARREN	1,826,439	588,445	584,282	1,830,602
TIF NUMBER 1 GUARDIAN	-	916,675	458,338	458,337
PAYROLL - FEDERAL W/H	-	39,568	39,568	-
PAYROLL - FICA	-	11,512	11,512	-
PAYROLL - MEDICARE W/H	-	5,575	5,575	-
PAYROLL - INDIANA STATE W/H	-	12,853	12,853	-
PAYROLL - COUNTY W/H	-	5,358	5,358	-
PAYROLL - CIVIL PERF	-	4,138	4,138	-
PAYROLL - POLICE PERF	-	5,021	5,021	-
PAYROLL - FIRE PERF	-	1,666	1,666	-
PAYROLL - AFLAC	-	1,028	685	343
PAYROLL - DIRECT DEPOSIT	-	289,144	289,144	-
PAYROLL - DEFERRED COMP	-	5,540	5,540	-
PAYROLL - CHILD SUPPORT	-	960	960	-
PAYROLL - CENTRAL UNITED	-	429	429	-
PAYROLL - LEGAL SHIELD	-	403	270	133
PAYROLL - LIBERTY NATIONAL	-	1,155	770	385
PAYROLL - EMC NATIONAL - LIFE INS	-	630	432	198
PAYROLL - SEVERENCE	-	5,496	5,496	-
PAYROLL - GARNISHMENT (PROPERTY TAX)	-	271	271	-
PAYROLL - LAKE CITY HSA EE	-	300	300	-
PAYROLL - EMC NATIONAL - OTHER INS	-	43	43	-
STATE REVOLVING FUND - CONSTRUCTION	-	1,527,584	1,527,584	-
WASTEWATER UTILITY OPERATING	1,662,759	1,126,021	1,909,073	879,707
WASTEWATER UTILITY BOND AND INTEREST	1,841,127	267,466	2,023,702	84,891
WASTEWATER UTILITY DEPRECIATION	244,696	510	-	245,206
WASTEWATER UTILITY CONSTRUCTION	200	47,314	47,512	2
WASTEWATER UTILITY DEBT SERVICE RESERVE	379,000	163,325	376,655	165,670
BONY BOND AND INTEREST (2005A-2006B)	-	750,272	350,241	400,031
BONY BOND DEBT RESERVE	-	833,500	-	833,500
BONY - 2012 BONDS - BOND AND INTEREST	-	129,601	60,632	68,969
WATER UTILITY BOND AND INTEREST	22,889	357,731	331,439	49,181
WATER UTILITY CUSTOMER DEPOSIT	1,935	-	-	1,935
WATER UTILITY OPERATING	144,969	866,238	857,216	153,991
WATER UTILITY DEBT SERVICE RESERVE	328,590	-	84,590	244,000
TOTALS	<u>\$ 9,271,214</u>	<u>\$ 12,542,357</u>	<u>\$ 13,512,308</u>	<u>\$ 8,301,263</u>

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

CITY OF LIGONIER  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

The accompanying financial statement presents the financial information for the City.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF LIGONIER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, recycling fees, dog pound fees, park rental fees, cable tv receipts, ordinance violations, fines and fees.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

CITY OF LIGONIER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*F. Interfund Transfers*

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 STATEMENT  
(Continued)

**Note 5. Risk Management**

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

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

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF LIGONIER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012

	GENERAL	MOTOR VEHICLE HIGHWAY	LOCAL ROAD AND STREETS	PARK NONREVERTING OPERATING	LAW ENFORCEMENT CONTINUING EDUCATION	PARK AND RECREATION
Cash and investments - beginning	\$ 275,495	\$ 137,977	\$ 43,653	\$ 6,641	\$ 6,896	\$ 47,684
Receipts:						
Taxes	903,319	196,444	-	-	-	91,891
Licenses and permits	14,696	-	-	-	-	-
Intergovernmental	540,915	121,993	18,260	-	-	4,487
Charges for services	233,095	-	-	30,563	3,760	10,564
Fines and forfeits	5,079	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	66,858	1,315	153	-	-	5,889
Total receipts	<u>1,763,962</u>	<u>319,752</u>	<u>18,413</u>	<u>30,563</u>	<u>3,760</u>	<u>112,831</u>
Disbursements:						
Personal services	1,127,277	180,365	-	11,835	150	78,594
Supplies	90,853	39,669	-	23,104	-	17,153
Other services and charges	532,072	41,259	-	990	-	29,656
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	8,618	59,216	13,669	-	8,827	1,014
Utility operating expenses	-	-	-	-	-	-
Other disbursements	65,784	-	-	-	-	-
Total disbursements	<u>1,824,604</u>	<u>320,509</u>	<u>13,669</u>	<u>35,929</u>	<u>8,977</u>	<u>126,417</u>
Excess (deficiency) of receipts over disbursements	<u>(60,642)</u>	<u>(757)</u>	<u>4,744</u>	<u>(5,366)</u>	<u>(5,217)</u>	<u>(13,586)</u>
Cash and investments - ending	<u>\$ 214,853</u>	<u>\$ 137,220</u>	<u>\$ 48,397</u>	<u>\$ 1,275</u>	<u>\$ 1,679</u>	<u>\$ 34,098</u>

CITY OF LIGONIER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	RAINY DAY	COUNTY ECONOMIC DEVELOPMENT INCOME TAX	LIGONIER FORFEITURE	LEVY EXCESS	CUMULATIVE CAPITAL DEVELOPMENT	PARK NONREVERTING CAPITAL
Cash and investments - beginning	\$ 237,365	\$ 166,646	\$ 637	\$ -	\$ 243,048	\$ 6,603
Receipts:						
Taxes	-	-	-	-	37,232	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	168,016	-	-	1,917	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	66,578	76	-	15,336	152	-
Total receipts	66,578	168,092	-	15,336	39,301	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	21,975	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	81,749	-	-	80,786	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	15,805	-	-	-	-
Total disbursements	-	119,529	-	-	80,786	-
Excess (deficiency) of receipts over disbursements	66,578	48,563	-	15,336	(41,485)	-
Cash and investments - ending	\$ 303,943	\$ 215,209	\$ 637	\$ 15,336	\$ 201,563	\$ 6,603

CITY OF LIGONIER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	CUMULATIVE FIRE	GENERAL IMPROVEMENT	CUMULATIVE CAPITAL IMPROVEMENT	RIVERBOAT	SPORTS AND RECREATION CENTER	DOWNTOWN REDEVELOPMENT
Cash and investments - beginning	\$ 106,792	\$ 151,027	\$ 73,272	\$ 98,905	\$ 49,635	\$ 26
Receipts:						
Taxes	24,821	-	-	-	54,924	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	1,278	-	11,683	26,095	3,072	-
Charges for services	-	-	-	-	52,410	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	394	9,886	-	76	1,242	-
Total receipts	<u>26,493</u>	<u>9,886</u>	<u>11,683</u>	<u>26,171</u>	<u>111,648</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	24,499	82,705	-
Supplies	-	-	-	-	11,569	-
Other services and charges	-	-	-	-	36,824	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	13,000	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>13,000</u>	<u>24,499</u>	<u>131,098</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>26,493</u>	<u>9,886</u>	<u>(1,317)</u>	<u>1,672</u>	<u>(19,450)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 133,285</u>	<u>\$ 160,913</u>	<u>\$ 71,955</u>	<u>\$ 100,577</u>	<u>\$ 30,185</u>	<u>\$ 26</u>

CITY OF LIGONIER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	STATE GRANTS	POLICE GRANTS	GENERAL OBLIGATION BONDS	DEBT SERVICE	REDEVELOPMENT AUTHORITY LEASE PAYMENT	REDEVELOPMENT DEBT SERVICE RESERVE
Cash and investments - beginning	\$ -	\$ 2,418	\$ 532,387	\$ 86,506	\$ 120,831	\$ 273,693
Receipts:						
Taxes	-	-	-	327,561	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	25,000	13,924	-	16,866	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	812	-	272,183	1,216
Total receipts	<u>25,000</u>	<u>13,924</u>	<u>812</u>	<u>344,427</u>	<u>272,183</u>	<u>1,216</u>
Disbursements:						
Personal services	-	6,905	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	25,000	3,522	-	1,150	-	-
Debt service - principal and interest	-	-	-	231,306	340,308	-
Capital outlay	-	2,179	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	52,706	5,475
Total disbursements	<u>25,000</u>	<u>12,606</u>	<u>-</u>	<u>232,456</u>	<u>393,014</u>	<u>5,475</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>1,318</u>	<u>812</u>	<u>111,971</u>	<u>(120,831)</u>	<u>(4,259)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 3,736</u>	<u>\$ 533,199</u>	<u>\$ 198,477</u>	<u>\$ -</u>	<u>\$ 269,434</u>

CITY OF LIGONIER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	CITY GIFT	PARK GIFT	FIRE GRANT	LAND PURCHASE	THOMPSON BEAUTIFICATION	PAYROLL
Cash and investments - beginning	\$ 17,875	\$ 53,219	\$ 655	\$ 24,937	\$ 29,160	\$ 24,627
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	21,050	17,091	3,083	-	33,500	1,119,830
Total receipts	<u>21,050</u>	<u>17,091</u>	<u>3,083</u>	<u>-</u>	<u>33,500</u>	<u>1,119,830</u>
Disbursements:						
Personal services	-	-	-	-	-	514
Supplies	-	-	-	-	2,103	-
Other services and charges	1,609	-	-	-	500	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	3,749	-	-	2,500	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	1,132,470
Total disbursements	<u>1,609</u>	<u>3,749</u>	<u>-</u>	<u>-</u>	<u>5,103</u>	<u>1,132,984</u>
Excess (deficiency) of receipts over disbursements	<u>19,441</u>	<u>13,342</u>	<u>3,083</u>	<u>-</u>	<u>28,397</u>	<u>(13,154)</u>
Cash and investments - ending	<u>\$ 37,316</u>	<u>\$ 66,561</u>	<u>\$ 3,738</u>	<u>\$ 24,937</u>	<u>\$ 57,557</u>	<u>\$ 11,473</u>

CITY OF LIGONIER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	TIF NUMBER 2 WARREN	TIF NUMBER 1 GUARDIAN	PAYROLL FEDERAL W/H	PAYROLL FICA	PAYROLL MEDICARE W/H	PAYROLL INDIANA STATE W/H
Cash and investments - beginning	\$ 1,826,439	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	512,370	916,675	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>76,075</u>	<u>-</u>	<u>39,568</u>	<u>11,512</u>	<u>5,575</u>	<u>12,853</u>
Total receipts	<u>588,445</u>	<u>916,675</u>	<u>39,568</u>	<u>11,512</u>	<u>5,575</u>	<u>12,853</u>
Disbursements:						
Personal services	-	-	39,568	11,512	5,575	12,853
Supplies	-	-	-	-	-	-
Other services and charges	43,707	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	273,867	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>266,708</u>	<u>458,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>584,282</u>	<u>458,338</u>	<u>39,568</u>	<u>11,512</u>	<u>5,575</u>	<u>12,853</u>
Excess (deficiency) of receipts over disbursements	<u>4,163</u>	<u>458,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,830,602</u>	<u>\$ 458,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LIGONIER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	PAYROLL COUNTY W/H	PAYROLL CIVIL PERF	PAYROLL POLICE PERF	PAYROLL FIRE PERF	PAYROLL AFLAC	PAYROLL DIRECT DEPOSIT
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	5,358	4,138	5,021	1,666	1,028	289,144
Total receipts	<u>5,358</u>	<u>4,138</u>	<u>5,021</u>	<u>1,666</u>	<u>1,028</u>	<u>289,144</u>
Disbursements:						
Personal services	5,358	4,138	5,021	1,666	685	289,144
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>5,358</u>	<u>4,138</u>	<u>5,021</u>	<u>1,666</u>	<u>685</u>	<u>289,144</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	343	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343</u>	<u>\$ -</u>

CITY OF LIGONIER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	PAYROLL DEFERRED COMP	PAYROLL CHILD SUPPORT	PAYROLL CENTRAL UNITED	PAYROLL LEGAL SHIELD	PAYROLL LIBERTY NATIONAL	PAYROLL EMC NATIONAL - LIFE INS
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	5,540	960	429	403	1,155	630
Total receipts	5,540	960	429	403	1,155	630
Disbursements:						
Personal services	5,540	960	429	270	770	432
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	5,540	960	429	270	770	432
Excess (deficiency) of receipts over disbursements	-	-	-	133	385	198
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 133	\$ 385	\$ 198

CITY OF LIGONIER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	PAYROLL SEVERENCE	PAYROLL GARNISHMENT (PROPERTY TAX)	PAYROLL LAKE CITY HSA EE	PAYROLL EMC NATIONAL - OTHER INS	STATE REVOLVING FUND CONSTRUCTION	WASTEWATER UTILITY OPERATING
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,662,759
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	942,080
Other receipts	5,496	271	300	43	1,527,584	183,941
Total receipts	<u>5,496</u>	<u>271</u>	<u>300</u>	<u>43</u>	<u>1,527,584</u>	<u>1,126,021</u>
Disbursements:						
Personal services	5,496	271	300	43	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	1,145,102	11,455
Utility operating expenses	-	-	-	-	-	608,602
Other disbursements	-	-	-	-	382,482	1,289,016
Total disbursements	<u>5,496</u>	<u>271</u>	<u>300</u>	<u>43</u>	<u>1,527,584</u>	<u>1,909,073</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(783,052)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 879,707</u>

CITY OF LIGONIER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	WASTEWATER UTILITY BOND AND INTEREST	WASTEWATER UTILITY DEPRECIATION	WASTEWATER UTILITY CONSTRUCTION	WASTEWATER UTILITY DEBT SERVICE RESERVE	BONY BOND AND INTEREST (2005A-2006B)	BONY BOND DEBT RESERVE
Cash and investments - beginning	\$ 1,841,127	\$ 244,696	\$ 200	\$ 379,000	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>267,466</u>	<u>510</u>	<u>47,314</u>	<u>163,325</u>	<u>750,272</u>	<u>833,500</u>
Total receipts	<u>267,466</u>	<u>510</u>	<u>47,314</u>	<u>163,325</u>	<u>750,272</u>	<u>833,500</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	47,512	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>2,023,702</u>	<u>-</u>	<u>-</u>	<u>376,655</u>	<u>350,241</u>	<u>-</u>
Total disbursements	<u>2,023,702</u>	<u>-</u>	<u>47,512</u>	<u>376,655</u>	<u>350,241</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(1,756,236)</u>	<u>510</u>	<u>(198)</u>	<u>(213,330)</u>	<u>400,031</u>	<u>833,500</u>
Cash and investments - ending	<u>\$ 84,891</u>	<u>\$ 245,206</u>	<u>\$ 2</u>	<u>\$ 165,670</u>	<u>\$ 400,031</u>	<u>\$ 833,500</u>

CITY OF LIGONIER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	BONY 2012 BONDS BOND & INTEREST	WATER UTILITY BOND AND INTEREST	WATER UTILITY CUSTOMER DEPOSIT	WATER UTILITY OPERATING	WATER UTILITY DEBT SERVICE RESERVE	TOTALS
Cash and investments - beginning	\$ -	\$ 22,889	\$ 1,935	\$ 144,969	\$ 328,590	\$ 9,271,214
Receipts:						
Taxes	-	-	-	-	-	3,065,237
Licenses and permits	-	-	-	-	-	14,696
Intergovernmental	-	-	-	-	-	953,506
Charges for services	-	-	-	-	-	330,392
Fines and forfeits	-	-	-	-	-	5,079
Utility fees	-	-	-	859,917	-	1,801,997
Other receipts	129,601	357,731	-	6,321	-	6,371,450
Total receipts	129,601	357,731	-	866,238	-	12,542,357
Disbursements:						
Personal services	-	-	-	-	-	1,902,875
Supplies	-	-	-	-	-	184,451
Other services and charges	-	-	-	-	-	738,264
Debt service - principal and interest	-	-	-	-	-	571,614
Capital outlay	-	-	-	-	-	1,753,243
Utility operating expenses	-	-	-	437,655	-	1,046,257
Other disbursements	60,632	331,439	-	419,561	84,590	7,315,604
Total disbursements	60,632	331,439	-	857,216	84,590	13,512,308
Excess (deficiency) of receipts over disbursements	68,969	26,292	-	9,022	(84,590)	(969,951)
Cash and investments - ending	\$ 68,969	\$ 49,181	\$ 1,935	\$ 153,991	\$ 244,000	\$ 8,301,263

CITY OF LIGONIER  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 15,210	\$ 23,860
Water	9,524	5,560
Governmental activities	188,410	3,465
Totals	\$ 213,144	\$ 32,885

CITY OF LIGONIER  
SCHEDULE OF LEASES AND DEBT  
December 31, 2012

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Street Improvements	\$ 110,000	\$ 112,338
General obligation bonds	Street Improvements	435,000	120,300
Revenue bonds	Police Station - Lease Rental Bond (Refunded 2012)	1,880,000	265,833
Capital leases	Injector patch trailer	<u>16,310</u>	<u>8,385</u>
Total governmental activities		<u>2,441,310</u>	<u>506,856</u>
Wastewater:			
Revenue bonds - 2005	Sewer Improvement Project	1,785,000	517,955
Revenue bonds - 2006	Sewer Improvement Project	4,000,000	184,308
Revenue bonds - 2012	Sewer Improvement Project (SRF)	<u>1,463,689</u>	<u>112,209</u>
Total Wastewater		<u>7,248,689</u>	<u>814,472</u>
Water:			
Revenue bonds	Waterworks Improvement Project (Refunded 2012)	<u>2,370,000</u>	<u>221,975</u>
Totals		<u>\$ 12,059,999</u>	<u>\$ 1,543,303</u>

CITY OF LIGONIER  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS - PAYROLL***

Internal controls over the disbursing of payroll were insufficient: One individual performs all of the payroll functions. No one reviews the completed payroll prior to disbursement.

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 objectives, 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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING –  
SCHEDULE OF EXPENDITURES FEDERAL AWARDS (SEFA)***

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: the Capitalization Grants for Clean Water State Revolving Funds was overstated by \$947,566 and the Drug Court Discretionary Grant Program, State and Community Highway Safety, Alcohol Impaired Driving Countermeasures Incentive Grants I, and Occupant Protection Incentive Grants were omitted. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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 objectives, 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)

(This page intentionally left blank.)

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 FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

***Report on Compliance for Each Major Federal Program***

We have audited the City of Ligonier's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2012. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. 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 City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on the Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

***Report on Internal Control Over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the type of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman  
State Examiner

September 16, 2013

(This page intentionally left blank.)

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the City. The schedule and note are presented as intended by the City.

CITY OF LIGONIER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. Department of Housing and Urban Development</u>				
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Library Planning Grant Library Planning Grant	Indiana Office of Rural and Community Affairs	14.228	B12DC180001PL-11-014	\$ 24,200
Total - CDBG - State-Administered CDBG Cluster				24,200
Total - Department of Housing and Urban Development				24,200
<u>U.S. Department of Justice</u>				
Bulletproof Vest Partnership Program	Direct Grant			
Bulletproof Vest		16.607	2011BUBX11058585	2,275
Drug Court Discretionary Grant Program	Noble County	16.585	2010-DC-BX-0072	837
Total - Department of Justice				3,112
<u>U.S. Department of Transportation</u>				
Highway Safety Cluster				
State and Community Highway Safety	Noble County	20.600	PT-12-11-04-18	3,645
Alcohol Impaired Driving Countermeasures Incentive Grants I	Noble County	20.601	K8-2012-03-03-25	3,615
Occupant Protection Incentive Grants	Noble County	20.602	NHSA FFY 2012 405	2,655
Total - Highway Safety Cluster				7,260
<u>Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority			
Sanitary Sewer Separation Project		66.458	WW100457 01	580,018
Total - Environmental Protection Agency				580,018
Total federal awards expended				<u>\$ 617,245</u>

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

CITY OF LIGONIER  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Ligonier and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF LIGONIER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB 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

**Section II – Financial Statement Findings**

**FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING - PAYROLL PROCESSING**

We noted a deficiency in the internal control system of the City related to financial transactions and reporting. One individual performs all of the payroll functions. No one reviews the completed payroll prior to disbursement. We believe the following deficiency constitutes a material weakness:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the City to reduce risks to the achievement of financial reporting objectives. The City has not separated incompatible activities related to payroll disbursements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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

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 objectives, 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)

***FINDING 2012-2 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)***

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: the Capitalization Grants for Clean Water State Revolving Funds was overstated by \$947,566 and the Drug Court Discretionary Grant Program, State and Community Highway Safety, Alcohol Impaired Driving Countermeasures Incentive Grants I, and Occupant Protection Incentive Grants were omitted. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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 objectives, 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)

OMB Circular A-133, Subpart C, section. 300 states in part: "The auditee shall . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

OMB Circular A-133, Subpart C, section. 310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision I the Department of Health and Human Services.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***Section III – Federal Award Findings and Questioned Costs***

No matters are reportable.

*Office of the Clerk Treasurer*

Barb Hawn, Clerk-Treasurer  
bhawn@ligonier-in.org



*City of Ligonier*

301 South Cavin Street #2  
Ligonier, Indiana 46767  
Phone: 260-894-4113  
Fax: 260-894-3170

September 13, 2013

### **CORRECTIVE ACTION PLAN**

#### **FINDING 2012-1 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING – PAYROLL PROCESSING**

The payroll clerk will prepare the payroll and print the **Employee Job Pay Detail** report. The Clerk-Treasurer will review the report. If the report is in order, the Clerk-Treasurer will sign and date with approval. The payroll clerk will then prepare the vouchers and submit the pay file to the bank for employee direct deposit.

#### **FINDING 2012-2 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)**

The Clerk-Treasurer will develop procedures and controls to assure that all grants are correctly reported on the Gateway. Discussions will take place with department heads and employees stressing the importance of providing all necessary grant information to the Clerk-Treasurer for proper reporting.

Documentation for payments made from the State Revolving Funds program will be reviewed. A spreadsheet will be developed to track the portion of the payment considered grant funds to insure grant amounts are correctly reported and not overstated.

After submission, a copy of the Annual Report will be forwarded to City Council Members for approval as submitted. If any errors are detected, the report will be corrected and resubmitted.

A handwritten signature in black ink that reads "Barbara J. Hawn".

**Barbara J. Hawn**  
Clerk-Treasurer  
City of Ligonier Indiana

CITY OF LIGONIER  
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2013, with Barbara Hawn, Clerk-Treasurer, and Patricia Fisel, Mayor. The officials concurred with our audit findings.