

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

FINANCIAL STATEMENTS AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF NORTH LIBERTY
ST. JOSEPH COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
07/10/2014

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 Statements Performed in Accordance With Government Auditing Standards	6-7
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	10-11
Notes to Financial Statements	12-16
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	18-35
Schedule of Payables and Receivables	36
Schedule of Leases and Debt	37
Schedule of Capital Assets.....	38
Other Report	39
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	42-43
Schedule of Expenditures of Federal Awards	46
Note to Schedule of Expenditures of Federal Awards.....	47
Schedule of Findings and Questioned Costs	48-52
Auditee Prepared Schedule:	
Corrective Action Plan.....	53-55
Exit Conference.....	56

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Vicki L. Kitchen	01-01-08 to 12-31-15
President of the Town Council	Timothy M. VanOverberge	01-01-11 to 12-31-11
	Jayson Kincaid	01-01-12 to 12-31-13
	Gerry E. Brown	01-01-14 to 12-31-14



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF NORTH LIBERTY, ST. JOSEPH COUNTY, INDIANA

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of North Liberty (Town), which comprise the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements 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 Town'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 statements.

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 statements, the Town prepares its financial statements 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 statements 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 statements referred to above do 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 Town for the period of January 1, 2011 to December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2011 to 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 May 13, 2014, 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 integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

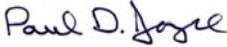
Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town's 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 financial statements. 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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


Paul D. Joyce, CPA
State Examiner

May 13, 2014



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

TO: THE OFFICIALS OF THE TOWN OF NORTH LIBERTY, ST. JOSEPH 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 statements of the Town of North Liberty (Town), which comprise the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated May 13, 2014, wherein we noted the Town 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 statements, we considered the Town'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 statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 statements 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 2012-001 and 2012-002 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
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

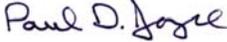
As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 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 items 2012-001 and 2012-002.

Town of North Liberty's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

May 13, 2014

(This page intentionally left blank.)

FINANCIAL STATEMENTS

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

TOWN OF NORTH LIBERTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 118,250	\$ 417,494	\$ 451,489	\$ 84,255
Motor Vehicle Highway	83,126	62,187	98,522	46,791
Local Road & Street	50,744	14,627	1,277	64,094
Park	4,245	34,673	18,916	20,002
Local Law Enf C/E	1,747	1,275	2,080	942
Rainy Day Fund	46,739	49,889	42,188	54,440
Levy Excess	1,064	-	1,064	-
Major Moves	200,181	194,122	193,094	201,209
Excess Welfare Fund	15,803	15,803	15,803	15,803
Cum Capital Development	6,987	30,442	4,724	32,705
Cum Capital Improvement	19,876	4,026	12,295	11,607
Co Economic Development	88,925	46,732	117,532	18,125
OCRA Downtown Beaut Grant	-	512,554	512,554	-
OCRA DR2 Stormwater Grant	-	619,296	593,735	25,561
Petty Cash	100	-	-	100
Cash Change	75	-	-	75
LCJI Block Grant	32	-	-	32
Recycling	4,261	33,529	37,782	8
Car Seat Grant	200	-	200	-
State Grants Operation Pullover	-	1,674	1,674	-
Donation Fund	1,171	19,006	20,010	167
LOIT-Public Safety	44,625	33,884	67,213	11,296
HUD Money	61,136	61	59,588	1,609
Payroll	5,802	172,908	180,679	(1,969)
Solid Waste -Trash	19,208	89,577	104,819	3,966
Wastewater Operation	1,052	383,308	377,340	7,020
Wastewater Bond & Interest	27,979	110,855	110,508	28,326
W/Wtr Improvement	25,478	-	-	25,478
Wastewater Deposit	27,556	13,600	13,098	28,058
W/Wtr Construction	1,322	35	-	1,357
Wastewater Debt Service	111,898	-	-	111,898
Water Operation	39,676	376,371	369,938	46,109
Water Bond & Interest	387,597	385,582	385,912	387,267
Water Depreciation	-	138,475	110,041	28,434
Water Imp - Tower Paint	94,144	5,000	44,260	54,884
Water Meter Deposit	33,026	13,123	12,841	33,308
Totals	<u>\$ 1,524,025</u>	<u>\$ 3,780,108</u>	<u>\$ 3,961,176</u>	<u>\$ 1,342,957</u>

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

TOWN OF NORTH LIBERTY
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	\$ 84,255	\$ 492,541	\$ 424,462	\$ 152,334
Motor Vehicle Highway	46,791	76,248	93,472	29,567
Local Road & Street	64,094	57,021	82,172	38,943
Park	20,002	55,013	23,533	51,482
Local Law Enf C/E	942	1,506	1,118	1,330
Rainy Day Fund	54,440	-	-	54,440
Major Moves	201,209	43,460	44,213	200,456
Excess Welfare Fund	15,803	-	-	15,803
Cum Capital Development	32,705	2,847	28,664	6,888
General Obligation Bonds	-	215,625	10,515	205,110
Cum Capital Improvement	11,607	5,029	7,406	9,230
Co Economic Development	18,125	86,058	30,000	74,183
OCRA DR2 Stormwater Grant	25,561	179,011	204,572	-
Petty Cash	100	-	-	100
Cash Change	75	-	-	75
LCJI Block Grant	32	-	-	32
Recycling	8	31,754	31,700	62
State Grants Operation Pullover	-	829	829	-
Donation Fund	167	11,411	10,410	1,168
LOIT-Public Safety	11,296	42,288	50,936	2,648
HUD Money	1,609	1	24	1,586
Payroll	(1,969)	365,264	340,685	22,610
Solid Waste -Trash	3,966	98,734	89,492	13,208
Wastewater Operation	7,020	446,199	407,800	45,419
Wastewater Bond & Interest	28,326	110,935	111,898	27,363
W/Wtr Improvement	25,478	-	25,478	-
Wastewater Deposit	28,058	3,781	3,029	28,810
W/Wtr Construction	1,357	-	1,357	-
Wastewater Debt Service	111,898	-	-	111,898
ACH Transfer In All Funds	-	100	-	100
Water Depreciation	28,434	34,273	45,719	16,988
Water Operation	46,109	394,202	390,110	50,201
Water Bond & Interest	387,267	134,406	115,244	406,429
Water Imp - Tower Paint	54,884	6,000	6,110	54,774
Water Meter Deposit	33,308	18,155	4,484	46,979
Totals	<u>\$ 1,342,957</u>	<u>\$ 2,912,691</u>	<u>\$ 2,585,432</u>	<u>\$ 1,670,216</u>

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

TOWN OF NORTH LIBERTY
NOTES TO FINANCIAL STATEMENTS

Note 1. 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 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, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 statements. 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 Town.

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.

TOWN OF NORTH LIBERTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 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, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

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.

Penalties which include fees received for late payments.

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 statements. 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.

TOWN OF NORTH LIBERTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

F. Interfund Transfers

The Town 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 Town. 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 Town. 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 Town 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 Town 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 Town 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.

TOWN OF NORTH LIBERTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Town 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.

Note 5. Risk Management

The Town 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 Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. 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 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 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 Capitol Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

TOWN OF NORTH LIBERTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficit

The financial statement contains a fund with a deficit in cash. This is a result of the fund being set up as a clearing account. The appropriate transfers into the fund to cover expenditures made by the county were not made by December 31, 2013.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town'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 statements contained in this report and the financial information presented in the Annual Reports of the Town which are 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 Town. It is presented as intended by the Town.

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road & Street	Park	Local Law Enf C/E
Cash and investments - beginning	\$ 118,250	\$ 83,126	\$ 50,744	\$ 4,245	\$ 1,747
Receipts:					
Taxes	306,455	22,147	-	29,207	-
Licenses and permits	152	-	-	-	700
Intergovernmental	86,232	38,636	14,627	4,426	-
Charges for services	2,246	909	-	300	40
Fines and forfeits	1,275	-	-	-	535
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	21,134	495	-	740	-
Total receipts	<u>417,494</u>	<u>62,187</u>	<u>14,627</u>	<u>34,673</u>	<u>1,275</u>
Disbursements:					
Personal services	224,796	29,314	-	2,562	-
Supplies	13,356	12,660	-	185	-
Other services and charges	154,871	12,778	-	9,279	2,080
Debt service - principal and interest	-	-	-	-	-
Capital outlay	43,477	43,770	1,277	6,069	-
Utility operating expenses	-	-	-	-	-
Other disbursements	14,989	-	-	821	-
Total disbursements	<u>451,489</u>	<u>98,522</u>	<u>1,277</u>	<u>18,916</u>	<u>2,080</u>
Excess (deficiency) of receipts over disbursements	<u>(33,995)</u>	<u>(36,335)</u>	<u>13,350</u>	<u>15,757</u>	<u>(805)</u>
Cash and investments - ending	<u>\$ 84,255</u>	<u>\$ 46,791</u>	<u>\$ 64,094</u>	<u>\$ 20,002</u>	<u>\$ 942</u>

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011
 (Continued)

	Rainy Day Fund	Levy Excess	Major Moves	Excess Welfare Fund
Cash and investments - beginning	\$ 46,739	\$ 1,064	\$ 200,181	\$ 15,803
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	-
Penalties	-	-	-	-
Other receipts	49,889	-	194,122	15,803
Total receipts	<u>49,889</u>	<u>-</u>	<u>194,122</u>	<u>15,803</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	-	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	-	-
Utility operating expenses	-	-	-	-
Other disbursements	42,188	1,064	193,094	15,803
Total disbursements	<u>42,188</u>	<u>1,064</u>	<u>193,094</u>	<u>15,803</u>
Excess (deficiency) of receipts over disbursements	<u>7,701</u>	<u>(1,064)</u>	<u>1,028</u>	<u>-</u>
Cash and investments - ending	<u>\$ 54,440</u>	<u>\$ -</u>	<u>\$ 201,209</u>	<u>\$ 15,803</u>

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011
 (Continued)

	Cum Capital Development	Cum Capital Improvement	Co Economic Development	OCRA Downtown Beaut Grant
Cash and investments - beginning	\$ 6,987	\$ 19,876	\$ 88,925	\$ -
Receipts:				
Taxes	27,314	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	522	4,026	46,732	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	-
Penalties	-	-	-	-
Other receipts	2,606	-	-	512,554
Total receipts	<u>30,442</u>	<u>4,026</u>	<u>46,732</u>	<u>512,554</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	12,295	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	4,724	-	-	512,554
Utility operating expenses	-	-	-	-
Other disbursements	-	-	117,532	-
Total disbursements	<u>4,724</u>	<u>12,295</u>	<u>117,532</u>	<u>512,554</u>
Excess (deficiency) of receipts over disbursements	<u>25,718</u>	<u>(8,269)</u>	<u>(70,800)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 32,705</u>	<u>\$ 11,607</u>	<u>\$ 18,125</u>	<u>\$ -</u>

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011
 (Continued)

	OCRA DR2 Stormwater Grant	Petty Cash	Cash Change	LCJI Block Grant
Cash and investments - beginning	\$ -	\$ 100	\$ 75	\$ 32
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	-
Penalties	-	-	-	-
Other receipts	619,296	-	-	-
Total receipts	<u>619,296</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	-	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	593,735	-	-	-
Utility operating expenses	-	-	-	-
Other disbursements	-	-	-	-
Total disbursements	<u>593,735</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>25,561</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 25,561</u>	<u>\$ 100</u>	<u>\$ 75</u>	<u>\$ 32</u>

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011
 (Continued)

	<u>Recycling</u>	<u>Car Seat Grant</u>	<u>State Grants Operation Pullover</u>	<u>Donation Fund</u>
Cash and investments - beginning	\$ 4,261	\$ 200	\$ -	\$ 1,171
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	14,479	-	1,674	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	-
Penalties	-	-	-	-
Other receipts	<u>19,050</u>	<u>-</u>	<u>-</u>	<u>19,006</u>
Total receipts	<u>33,529</u>	<u>-</u>	<u>1,674</u>	<u>19,006</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	37,782	-	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	-	-
Utility operating expenses	-	-	-	-
Other disbursements	<u>-</u>	<u>200</u>	<u>1,674</u>	<u>20,010</u>
Total disbursements	<u>37,782</u>	<u>200</u>	<u>1,674</u>	<u>20,010</u>
Excess (deficiency) of receipts over disbursements	<u>(4,253)</u>	<u>(200)</u>	<u>-</u>	<u>(1,004)</u>
Cash and investments - ending	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167</u>

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011
 Continued)

	<u>LOIT- Public Safety</u>	<u>HUD Money</u>	<u>Payroll</u>	<u>Solid Waste - Trash</u>
Cash and investments - beginning	\$ 44,625	\$ 61,136	\$ 5,802	\$ 19,208
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	33,884	-	-	-
Charges for services	-	-	-	89,577
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	-
Penalties	-	-	-	-
Other receipts	-	61	172,908	-
Total receipts	<u>33,884</u>	<u>61</u>	<u>172,908</u>	<u>89,577</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	-	-	85,769
Debt service - principal and interest	-	-	-	-
Capital outlay	67,213	59,588	-	-
Utility operating expenses	-	-	-	-
Other disbursements	-	-	180,679	19,050
Total disbursements	<u>67,213</u>	<u>59,588</u>	<u>180,679</u>	<u>104,819</u>
Excess (deficiency) of receipts over disbursements	<u>(33,329)</u>	<u>(59,527)</u>	<u>(7,771)</u>	<u>(15,242)</u>
Cash and investments - ending	<u>\$ 11,296</u>	<u>\$ 1,609</u>	<u>\$ (1,969)</u>	<u>\$ 3,966</u>

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011
 Continued)

	<u>Wastewater Operation</u>	<u>Wastewater Bond & Interest</u>	<u>W/Wtr Improvement</u>	<u>Wastewater Deposit</u>
Cash and investments - beginning	\$ 1,052	\$ 27,979	\$ 25,478	\$ 27,556
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Utility fees	364,778	-	-	-
Penalties	-	-	-	-
Other receipts	<u>18,530</u>	<u>110,855</u>	<u>-</u>	<u>13,600</u>
Total receipts	<u>383,308</u>	<u>110,855</u>	<u>-</u>	<u>13,600</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	-	-	-
Debt service - principal and interest	-	110,508	-	-
Capital outlay	1,748	-	-	-
Utility operating expenses	253,422	-	-	-
Other disbursements	<u>122,170</u>	<u>-</u>	<u>-</u>	<u>13,098</u>
Total disbursements	<u>377,340</u>	<u>110,508</u>	<u>-</u>	<u>13,098</u>
Excess (deficiency) of receipts over disbursements	<u>5,968</u>	<u>347</u>	<u>-</u>	<u>502</u>
Cash and investments - ending	<u>\$ 7,020</u>	<u>\$ 28,326</u>	<u>\$ 25,478</u>	<u>\$ 28,058</u>

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011
 (Continued)

	W/Wtr Construction	Wastewater Debt Service	Water Operation	Water Bond & Interest
Cash and investments - beginning	\$ 1,322	\$ 111,898	\$ 39,676	\$ 387,597
Receipts:				
Taxes	-	-	16,079	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	350,222	-
Penalties	-	-	5,912	-
Other receipts	35	-	4,158	385,582
Total receipts	<u>35</u>	<u>-</u>	<u>376,371</u>	<u>385,582</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	-	-	-
Debt service - principal and interest	-	-	-	109,912
Capital outlay	-	-	-	-
Utility operating expenses	-	-	228,041	-
Other disbursements	-	-	141,897	276,000
Total disbursements	<u>-</u>	<u>-</u>	<u>369,938</u>	<u>385,912</u>
Excess (deficiency) of receipts over disbursements	<u>35</u>	<u>-</u>	<u>6,433</u>	<u>(330)</u>
Cash and investments - ending	<u>\$ 1,357</u>	<u>\$ 111,898</u>	<u>\$ 46,109</u>	<u>\$ 387,267</u>

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011
 Continued)

	Water Depreciation	Water Imp- Tower Paint	Water Meter Deposit	Totals
Cash and investments - beginning	\$ -	\$ 94,144	\$ 33,026	\$ 1,524,025
Receipts:				
Taxes	-	-	-	401,202
Licenses and permits	-	-	-	852
Intergovernmental	-	-	-	229,085
Charges for services	-	-	-	109,225
Fines and forfeits	-	-	-	1,810
Utility fees	-	-	-	715,000
Penalties	-	-	-	5,912
Other receipts	<u>138,475</u>	<u>5,000</u>	<u>13,123</u>	<u>2,317,022</u>
Total receipts	<u>138,475</u>	<u>5,000</u>	<u>13,123</u>	<u>3,780,108</u>
Disbursements:				
Personal services	-	-	-	256,672
Supplies	-	-	-	26,201
Other services and charges	-	-	-	314,854
Debt service - principal and interest	-	-	-	220,420
Capital outlay	81,750	-	-	1,415,905
Utility operating expenses	25,441	-	-	506,904
Other disbursements	<u>2,850</u>	<u>44,260</u>	<u>12,841</u>	<u>1,220,220</u>
Total disbursements	<u>110,041</u>	<u>44,260</u>	<u>12,841</u>	<u>3,961,176</u>
Excess (deficiency) of receipts over disbursements	<u>28,434</u>	<u>(39,260)</u>	<u>282</u>	<u>(181,068)</u>
Cash and investments - ending	<u>\$ 28,434</u>	<u>\$ 54,884</u>	<u>\$ 33,308</u>	<u>\$ 1,342,957</u>

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012

	<u>General</u>	<u>Motor Vehicle Highway</u>	<u>Local Road & Street</u>	<u>Park</u>
Cash and investments - beginning	\$ 84,255	\$ 46,791	\$ 64,094	\$ 20,002
Receipts:				
Taxes	375,427	-	-	48,414
Licenses and permits	6,598	-	-	-
Intergovernmental	101,989	71,803	17,021	2,233
Charges for services	2,438	909	-	260
Fines and forfeits	627	-	-	-
Utility fees	-	-	-	-
Penalties	-	-	-	-
Other receipts	5,462	3,536	40,000	4,106
Total receipts	<u>492,541</u>	<u>76,248</u>	<u>57,021</u>	<u>55,013</u>
Disbursements:				
Personal services	231,677	31,200	-	2,380
Supplies	5,043	5,115	-	1,397
Other services and charges	162,974	22,606	-	16,737
Debt service - principal and interest	-	2,720	-	-
Capital outlay	3,805	30,000	42,172	-
Utility operating expenses	-	-	-	-
Other disbursements	20,963	1,831	40,000	3,019
Total disbursements	<u>424,462</u>	<u>93,472</u>	<u>82,172</u>	<u>23,533</u>
Excess (deficiency) of receipts over disbursements	<u>68,079</u>	<u>(17,224)</u>	<u>(25,151)</u>	<u>31,480</u>
Cash and investments - ending	<u>\$ 152,334</u>	<u>\$ 29,567</u>	<u>\$ 38,943</u>	<u>\$ 51,482</u>

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	Local Law Enf C/E	Rainy Day Fund	Major Moves	Excess Welfare Fund
Cash and investments - beginning	\$ 942	\$ 54,440	\$ 201,209	\$ 15,803
Receipts:				
Taxes	-	-	-	-
Licenses and permits	830	-	-	-
Intergovernmental	-	-	-	-
Charges for services	55	-	-	-
Fines and forfeits	621	-	-	-
Utility fees	-	-	-	-
Penalties	-	-	-	-
Other receipts	-	-	43,460	-
Total receipts	<u>1,506</u>	<u>-</u>	<u>43,460</u>	<u>-</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	478	-	-	-
Other services and charges	640	-	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	-	-
Utility operating expenses	-	-	-	-
Other disbursements	-	-	44,213	-
Total disbursements	<u>1,118</u>	<u>-</u>	<u>44,213</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>388</u>	<u>-</u>	<u>(753)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,330</u>	<u>\$ 54,440</u>	<u>\$ 200,456</u>	<u>\$ 15,803</u>

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	<u>Cum Capital Development</u>	<u>General Obligation Bonds</u>	<u>Cum Capital Improvement</u>	<u>Co Economic Development</u>
Cash and investments - beginning	\$ 32,705	\$ -	\$ 11,607	\$ 18,125
Receipts:				
Taxes	2,847	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	5,029	58,058
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	-
Penalties	-	-	-	-
Other receipts	-	215,625	-	28,000
Total receipts	<u>2,847</u>	<u>215,625</u>	<u>5,029</u>	<u>86,058</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	1,450	10,515	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	7,406	-
Utility operating expenses	-	-	-	-
Other disbursements	27,214	-	-	30,000
Total disbursements	<u>28,664</u>	<u>10,515</u>	<u>7,406</u>	<u>30,000</u>
Excess (deficiency) of receipts over disbursements	<u>(25,817)</u>	<u>205,110</u>	<u>(2,377)</u>	<u>56,058</u>
Cash and investments - ending	<u>\$ 6,888</u>	<u>\$ 205,110</u>	<u>\$ 9,230</u>	<u>\$ 74,183</u>

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	OCRA DR2 Stormwater Grant	Petty Cash	Cash Change	LCJI Block Grant
Cash and investments - beginning	\$ 25,561	\$ 100	\$ 75	\$ 32
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	179,011	-	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	-
Penalties	-	-	-	-
Other receipts	-	-	-	-
Total receipts	<u>179,011</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	3,900	-	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	200,672	-	-	-
Utility operating expenses	-	-	-	-
Other disbursements	-	-	-	-
Total disbursements	<u>204,572</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(25,561)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 75</u>	<u>\$ 32</u>

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	<u>Recycling</u>	<u>State Grants Operation Pullover</u>	<u>Donation Fund</u>	<u>LOIT-Public Safety</u>
Cash and investments - beginning	\$ 8	\$ -	\$ 167	\$ 11,296
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	42,288
Charges for services	31,754	829	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	-
Penalties	-	-	-	-
Other receipts	-	-	11,411	-
Total receipts	<u>31,754</u>	<u>829</u>	<u>11,411</u>	<u>42,288</u>
Disbursements:				
Personal services	-	829	-	2,175
Supplies	-	-	-	14,761
Other services and charges	12,650	-	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	-	34,000
Utility operating expenses	-	-	-	-
Other disbursements	19,050	-	10,410	-
Total disbursements	<u>31,700</u>	<u>829</u>	<u>10,410</u>	<u>50,936</u>
Excess (deficiency) of receipts over disbursements	<u>54</u>	<u>-</u>	<u>1,001</u>	<u>(8,648)</u>
Cash and investments - ending	<u>\$ 62</u>	<u>\$ -</u>	<u>\$ 1,168</u>	<u>\$ 2,648</u>

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	<u>HUD Money</u>	<u>Payroll</u>	<u>Solid Waste - Trash</u>	<u>Wastewater Operation</u>
Cash and investments - beginning	\$ 1,609	\$ (1,969)	\$ 3,966	\$ 7,020
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	79,684	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	388,718
Penalties	-	-	-	-
Other receipts	1	365,264	19,050	57,481
Total receipts	<u>1</u>	<u>365,264</u>	<u>98,734</u>	<u>446,199</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	498	-
Other services and charges	24	-	71,494	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	-	12,817
Utility operating expenses	-	-	-	238,666
Other disbursements	-	340,685	17,500	156,317
Total disbursements	<u>24</u>	<u>340,685</u>	<u>89,492</u>	<u>407,800</u>
Excess (deficiency) of receipts over disbursements	<u>(23)</u>	<u>24,579</u>	<u>9,242</u>	<u>38,399</u>
Cash and investments - ending	<u>\$ 1,586</u>	<u>\$ 22,610</u>	<u>\$ 13,208</u>	<u>\$ 45,419</u>

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	Wastewater Bond & Interest	W/Wtr Improvement	Wastewater Deposit	W/Wtr Construction
Cash and investments - beginning	\$ 28,326	\$ 25,478	\$ 28,058	\$ 1,357
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	-
Penalties	-	-	-	-
Other receipts	110,935	-	3,781	-
Total receipts	<u>110,935</u>	<u>-</u>	<u>3,781</u>	<u>-</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	-	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	25,478	-	1,357
Utility operating expenses	-	-	-	-
Other disbursements	111,898	-	3,029	-
Total disbursements	<u>111,898</u>	<u>25,478</u>	<u>3,029</u>	<u>1,357</u>
Excess (deficiency) of receipts over disbursements	<u>(963)</u>	<u>(25,478)</u>	<u>752</u>	<u>(1,357)</u>
Cash and investments - ending	<u>\$ 27,363</u>	<u>\$ -</u>	<u>\$ 28,810</u>	<u>\$ -</u>

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	Wastewater Debt Service	ACH Transfer In All Funds	Water Depreciation	Water Operation
Cash and investments - beginning	\$ 111,898	\$ -	\$ 28,434	\$ 46,109
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	363,131
Penalties	-	-	-	6,386
Other receipts	-	100	34,273	24,685
Total receipts	-	100	34,273	394,202
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	-	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	-	-
Utility operating expenses	-	-	17,719	195,809
Other disbursements	-	-	28,000	194,301
Total disbursements	-	-	45,719	390,110
Excess (deficiency) of receipts over disbursements	-	100	(11,446)	4,092
Cash and investments - ending	\$ 111,898	\$ 100	\$ 16,988	\$ 50,201

TOWN OF NORTH LIBERTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	Water Bond & Interest	Water Imp- Tower Paint	Water Meter Deposit	Totals
Cash and investments - beginning	\$ 387,267	\$ 54,884	\$ 33,308	\$ 1,342,957
Receipts:				
Taxes	-	-	-	426,688
Licenses and permits	-	-	-	7,428
Intergovernmental	-	-	-	298,421
Charges for services	-	-	-	294,940
Fines and forfeits	-	-	-	1,248
Utility fees	-	-	-	751,849
Penalties	-	-	-	6,386
Other receipts	134,406	6,000	18,155	1,125,731
Total receipts	<u>134,406</u>	<u>6,000</u>	<u>18,155</u>	<u>2,912,691</u>
Disbursements:				
Personal services	-	-	-	268,261
Supplies	-	-	-	27,292
Other services and charges	-	-	-	302,990
Debt service - principal and interest	-	-	-	2,720
Capital outlay	-	-	-	357,707
Utility operating expenses	-	6,110	-	458,304
Other disbursements	115,244	-	4,484	1,168,158
Total disbursements	<u>115,244</u>	<u>6,110</u>	<u>4,484</u>	<u>2,585,432</u>
Excess (deficiency) of receipts over disbursements	<u>19,162</u>	<u>(110)</u>	<u>13,671</u>	<u>327,259</u>
Cash and investments - ending	<u>\$ 406,429</u>	<u>\$ 54,774</u>	<u>\$ 46,979</u>	<u>\$ 1,670,216</u>

TOWN OF NORTH LIBERTY
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Trash	\$ -	\$ 3,093
Wastewater	-	11,768
Water	-	6,647
Totals	<u>\$ -</u>	<u>\$ 21,508</u>

TOWN OF NORTH LIBERTY
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Senior Housing Infrastructure	\$ 220,000	\$ 26,300
Wastewater:			
Revenue bonds	2006 Wastewater Bonds	205,000	108,048
Water:			
Revenue bonds	Water Bonds USDA	637,000	53,998
Revenue bonds	Water Bonds Berkadia	97,000	73,050
Total Water		734,000	127,048
Totals		\$ 1,159,000	\$ 261,396

TOWN OF NORTH LIBERTY
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	\$ 17,018
Infrastructure	2,305,519
Buildings	101,808
Improvements other than buildings	532,960
Machinery, equipment, and vehicles	174,973
Total governmental activities	3,132,278
Wastewater:	
Land	18,220
Infrastructure	1,831,372
Buildings	205,976
Improvements other than buildings	21,871
Machinery, equipment, and vehicles	286,535
Total Wastewater	2,363,974
Water:	
Land	13,876
Infrastructure	2,564,976
Buildings	191,594
Machinery, equipment, and vehicles	271,185
Total Water	3,041,631
Total capital assets	\$ 8,537,883

TOWN OF NORTH LIBERTY
OTHER REPORT

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

Town Marshal

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE TOWN OF NORTH LIBERTY, ST. JOSEPH COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Town of North Liberty's (Town) 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 period of January 1, 2011 to December 31, 2012. The Town'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 Town'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 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Major Federal Program

In our opinion, the Town 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 period of January 1, 2011 to 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

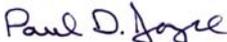
Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of 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 Town's internal control over compliance.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-003 to be material weaknesses.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.


Paul D. Joyce, CPA
State Examiner

May 13, 2014

(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 Town. The schedule and note are presented as intended by the Town.

TOWN OF NORTH LIBERTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended December 31, 2011 and 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 12-31-11	Total Federal Awards Expended 12-31-12
<u>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	Indiana Office of Community and Rural Affairs	14.228			
Downtown Revitalization			CF-10-119	\$ 512,554	\$ -
Stormwater			DR2-09-109	593,735	204,572
				<u>\$ 1,106,289</u>	<u>\$ 204,572</u>
Total Federal Awards Expended				<u>\$ 1,106,289</u>	<u>\$ 204,572</u>

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

TOWN OF NORTH 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 and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. 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.

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 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 NORTH LIBERTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

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 statements noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	no
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Program:

_____ Name of Federal Program or Cluster _____
CDBG - State-Administered CDBG Cluster

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 2012-001 - INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the Town related to financial transactions and reporting. 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 and correct, material misstatements.

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

The Town has not established controls to ensure that reconciled cash and investment balances agree to the cash and investment balances reported in the financial statements. The Town has not been able to reconcile depository cash and investment balances to their financial records since new accounting software was implemented in 2011. The differences between the adjusted depository cash and investment balances and the financial records were as follows: December 31, 2011 - depository balances exceeded the records by \$200,713; and December 31, 2012 - depository balances exceeded the records by \$26,131. After adjustments for investments not recorded, there were remaining unidentified differences of \$3,842 and \$11,631 at December 31, 2011 and 2012, respectively. There is not adequate segregation of duties over cash and investments and the reconcilements, including no oversight, review or approval process.

Investment balances and transactions were not accurately recorded in the new accounting software which accounted for \$196,871 and \$14,500 of the differences noted above at December 31, 2011 and 2012, respectively. Receipts and disbursements were also not accurately recorded. Financial statement receipts exceeded the records by \$566,949 and \$107,129 for 2011 and 2012, respectively. Financial statement disbursements exceeded the records by \$589,850 and \$171,745 for 2011 and 2012, respectively. There were other unidentified errors in addition to the incorrect recording of investment transactions. There is no oversight or approval process for recorded transactions and reports generated based on these transactions.

The ending cash and investment balance reported in the financial statement for the year ended December 31, 2011, did not agree with the beginning balance reported in the original financial statement for the year ended December 31, 2012. The 2012 beginning balance reported was \$37,158 less than the 2011 ending balance. The difference affected three individual funds: two funds that reported lower 2012 beginning balances and one fund that was not reported on the 2011 financial statement but had a beginning balance on the 2012 financial statement.

The differences in the two funds which reported lower 2012 beginning balances were the result of reducing the 2012 beginning balances to correct 2011 errors discovered in 2012. These errors totaled \$37,592. The remaining difference of \$434 was due to a fund which was inadvertently omitted from the 2011 financial statement.

The Town made the necessary adjustments to correct these issues which resulted in financial statements that are materially correct.

A proper system of internal controls would include segregation of duties by having a proper oversight, review or approval process and would allow the Town to prevent, or detect and correct, errors in the financial records or on the financial statements in a timely manner.

Failure to accurately reconcile the depository balances with the financial records and to accurately record all transactions could permit errors to occur and not be detected and result in inaccurate financial records and financial statements.

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.

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

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)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-13-6-1(e) states: "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."

Indiana Code 5-11-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by in the manner prescribed under IC 5-14-3.8-7."

***FINDING 2012-002 - INTERNAL CONTROLS AND COMPLIANCE
OVER SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS***

The Town has not designed a proper system of internal control, which would include segregation of duties, related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The Clerk-Treasurer independently prepares the SEFA for inclusion in the financial report without oversight, review, or approval. A lack of segregation of duties within an internal control system could allow material misstatements of the SEFA to remain undetected. A proper system of internal controls would include segregation of duties by having a proper oversight, review, or approval process and would allow the Town to prevent, or detect and correct, errors on the SEFA in a timely manner.

In failing to establish controls to effectively identify, manage, and report federal financial assistance, the City materially misrepresented the federal assistance expended in 2011. The Town failed to include the 2011 federal expenditures of \$1,106,289 in the SEFA presented for audit.

Audit adjustments were proposed, accepted by the Town, 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 statements.

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)

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

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 in part:

"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:

- (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 in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

Section III - Federal Award Findings and Questioned Costs

FINDING 2012-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM AND NONENTITLEMENT GRANTS IN HAWAII

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grant/State's Program and
Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Numbers and Years: DR2-09-109, CF-10-119
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect on the program. This includes the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Matching, Level of Effort, and Earmarking; Period of Availability; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

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

The Town hired a consultant to administer all aspects of the program. Officials relied upon the grant administrator to comply with the compliance requirements that have a direct and material effect on the program. An oversight or review process has not been established to ensure that the grant administrator complied with all applicable requirements.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

**Town of North Liberty
North Liberty Clerk-Treasurer
300 South Main Street
P O Box 515
North Liberty, IN 46554
(574)656-4447**

Corrective Action Plan

**Finding 2012-001 INTERNAL CONTROLS AND COMPLIANCE OVER
FINANCIAL TRANSACTIONS AND REPORTING**

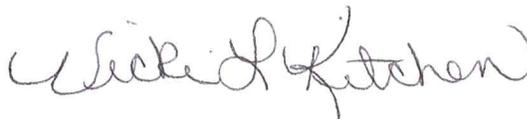
Vicki L. Kitchen
Clerk-Treasurer
(574) 656-4447

Audit Finding: The town had deficiencies in their internal control system related to financial transactions.

Corrective Action Plan: The Town will strive to improve our internal control system where possible in the areas of segregation of duties, preparation of financial statements and reconciling financial records and monitoring controls. Management believes if it works out some of the software deficiencies this will streamline this project. The software company was put on notice requesting a meeting. The clerk- treasurer made a surprise visit to software vendor to see operations. Owner was not on site. Clerk-treasurer met with the customer service representative. No further contact has been made by CompuTrain or no software updates have been made.

During a recent rate study new software was put into the rate study to town's management to achieve the Town's desired results. The Town shall review and improve its internal control requirements and improve the financial transactions and financial reporting.

Anticipated Completion Date: The Town date of compliance will be improved by the end of 2014 however if new software is required/implemented this may delay the completion of the corrective action plan..



Clerk-Treasurer
May 13, 2014

**Town of North Liberty
North Liberty Clerk-Treasurer
300 South Main Street
P O Box 515
North Liberty, IN 46554
(574)656-4447**

Corrective Action Plan

**Finding 2012-002 INTERNAL CONTROLS AND COMPLIANCE OVER
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**

Vicki L. Kitchen
Clerk-Treasurer
(574) 656-4447

Audit Finding: The town did not have a proper system of internal controls in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA) without the proper system of internal controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

Corrective Action Plan: The Town's management has been made aware of this new requirement and will strive to comply with the federal requirements by providing better documentation of our overall review and oversight responsibility of SEFA reporting. The Town shall review and improve its internal control requirements that have a direct and material to the program within personnel and budgetary restraints.

Anticipated Completion Date: The Town has started some implementation of the duties for an A133 Federal Audit for our current federal highway INDOT grants. The Town of North Liberty anticipates completion of the internal controls allowable by staff restraints by December 31, 2014.



Clerk-Treasurer
May 13, 2014

**Town of North Liberty
North Liberty Clerk-Treasurer
300 South Main Street
P O Box 515
North Liberty, IN 46554
(574)656-4447**

Corrective Action Plan

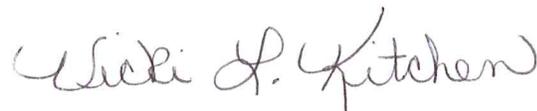
**Finding 2012-003 INTERNAL CONTROLS OVER COMPLIANCE
REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO
COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM AND
NONENTITLEMENT GRANTS IN HAWAII**

Vicki L. Kitchen
Clerk-Treasurer
(574) 656-4447

Audit Finding: The town did not have a proper system of internal controls in place to prevent or detect and correct errors on its requirements that have a direct and material effect to state grants incorporating federal funds.

Corrective Action Plan: The Town's management will strive to establish additional controls, including segregation of duties related to the grant agreement and all compliance requirements that have a direct and material effect to the program within personnel and budgetary restraints.

Anticipated Completion Date: The Town has started some implementation of the duties for an A133 Federal Audit for our current federal highway INDOT grants. The Town of North Liberty anticipates completion of the internal controls allowable by staff restraints by December 31, 2014.



Clerk-Treasurer
May 13, 2014

TOWN OF NORTH LIBERTY
EXIT CONFERENCE

The contents of this report were discussed on May 13, 2014, with Vicki L. Kitchen, Clerk-Treasurer. The official concurred with our audit findings.