

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

EXAMINATION REPORT

OF

TOWN OF NORTH LIBERTY

ST. JOSEPH COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
10/26/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Vicki L. Kitchen	01-01-04 to 12-31-07
President of the Town Council	Timothy M. VanOverberghe	01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of North Liberty (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 5, 2007

TOWN OF NORTH LIBERTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 72,604	\$ 531,245	\$ 461,056	\$ 142,793
Motor Vehicle Highway	56,678	69,413	88,619	37,472
Local Road and Street	27,905	96,089	72,731	51,263
Park and Recreation	18,031	19,453	16,783	20,701
Law Enforcement Continuing Education	1,506	701	1,396	811
Law Enforcement Training	1,467	-	-	1,467
NLPD K-9 Unit	609	1,305	709	1,205
DARE Program	1,510	-	391	1,119
Rainy Day	6,674	-	-	6,674
Donation	752	3,722	2,577	1,897
Recycling	2,470	12,014	10,232	4,252
Cumulative Capital Improvement	1,450	4,334	2,480	3,304
Cumulative Capital Development	17,178	18,216	26,725	8,669
County Economic Development Income Tax	-	20,149	20,149	-
Meadows Bond Refinancing	-	2,402	-	2,402
Brownsfield IDFA	40	68,760	68,800	-
ICJI Block Grant	-	11,112	-	11,112
Levy Excess	40,860	4,635	40,859	4,636
Proprietary Funds:				
Water Utility - Operating	21,314	377,177	396,644	1,847
Water Utility - Bond and Interest	174,231	145,533	109,505	210,259
Water Utility - Depreciation	30,507	40,394	41,575	29,326
Water Utility - Customer Deposit	26,128	6,507	4,308	28,327
Water Utility - Improvement	4,260	6,000	-	10,260
Wastewater Utility - Operating	12,729	382,585	385,435	9,879
Wastewater Utility - Bond and Interest	21,241	122,085	122,085	21,241
Wastewater Utility - Debt	74,814	17,895	-	92,709
Wastewater Utility - Customer Deposit	14,207	6,450	2,610	18,047
Wastewater Utility - Improvement	9,411	-	8,933	478
Fiduciary Fund:				
Payroll	1,538	478,817	479,466	889
Totals	<u>\$ 640,114</u>	<u>\$ 2,446,993</u>	<u>\$ 2,364,068</u>	<u>\$ 723,039</u>

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

TOWN OF NORTH LIBERTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006
(Continued)

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 142,793	\$ 507,426	\$ 493,404	\$ 156,815
Motor Vehicle Highway	37,472	78,143	67,908	47,707
Local Road and Street	51,263	66,201	81,000	36,464
Park and Recreation	20,701	20,344	14,544	26,501
Law Enforcement Continuing Education	811	881	1,393	299
Law Enforcement Training	1,467	-	1,467	-
NLPD K-9 Unit	1,205	1,535	1,789	951
DARE Program	1,119	-	329	790
Rainy Day	6,674	2,835	9,509	-
Donation	1,897	3,700	2,915	2,682
Recycling	4,252	13,137	11,276	6,113
Solid Waste Trash	-	47,294	48,285	(991)
Cumulative Capital Improvement	3,304	5,008	-	8,312
Cumulative Capital Development	8,669	12,811	8,229	13,251
County Economic Development Income Tax	-	20,475	10,228	10,247
Major Moves	-	168,299	-	168,299
Meadows Bond Refinancing	2,402	-	2,402	-
Brownsfield IDFA	-	23,558	23,558	-
ICJI Block Grant	11,112	-	11,112	-
Car Seat Grant	-	3,220	3,215	5
Levy Excess	4,636	-	1,368	3,268
Proprietary Funds:				
Water Utility - Operating	1,847	385,392	387,115	124
Water Utility - Bond and Interest	210,259	146,834	125,516	231,577
Water Utility - Depreciation	29,326	35,705	42,548	22,483
Water Utility - Customer Deposit	28,327	6,538	5,233	29,632
Water Utility - Improvement	10,260	6,000	-	16,260
Wastewater Utility - Operating	9,879	393,740	382,347	21,272
Wastewater Utility - Bond and Interest	21,241	91,393	85,975	26,659
Wastewater Utility - Debt	92,709	19,189	-	111,898
Wastewater Utility - Dormant Bonds	-	2,465	-	2,465
Wastewater Utility - Customer Deposit	18,047	5,864	3,287	20,624
Wastewater Utility - Construction	-	483,140	467,546	15,594
Wastewater Utility - Improvement	478	-	-	478
Fiduciary Fund:				
Payroll	889	507,638	506,982	1,545
Totals	<u>\$ 723,039</u>	<u>\$ 3,058,765</u>	<u>\$ 2,800,480</u>	<u>\$ 981,324</u>

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

TOWN OF NORTH LIBERTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, culture and recreation, and general administrative services.

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

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

TOWN OF NORTH LIBERTY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the 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% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

Town of North Liberty
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For Year Ended December 2006

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 9,018
Infrastructure	1,265,852
Buildings	27,860
Machinery and equipment	<u>107,502</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,410,232</u>

Primary Government

Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 21,581
Buildings	143,843
Improvements other than buildings	2,805,284
Machinery and equipment	<u>180,585</u>
 Total Water Utility capital assets	 <u>3,151,293</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	18,220
Buildings	194,136
Improvements other than buildings	1,671,478
Machinery and equipment	<u>228,595</u>
 Total Wastewater Utility capital assets	 <u>2,112,429</u>
 Total business-type activities capital assets	 <u>\$ 5,263,722</u>

TOWN OF NORTH LIBERTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Police vehicle	\$ 4,296	\$ 2,148
Business-type Activities:		
Water Utility		
Capital leases:		
Truck	\$ 6,927	\$ 3,343
Tractor	1,912	1,912
Revenue bonds:		
1974 Waterworks improvement	202,000	21,000
1999 Waterworks improvement	235,000	30,000
2003 Waterworks improvement	<u>692,000</u>	<u>8,000</u>
Total Water Utility	<u>1,137,839</u>	<u>64,255</u>
Wastewater Utility		
Capital leases:		
Truck	6,927	3,343
Tractor	1,912	1,912
Revenue bonds:		
1999 Sewage works refunding and revenue	240,000	75,000
2006 Sewage works revenue	<u>490,000</u>	<u>-</u>
Total Wastewater Utility	<u>738,839</u>	<u>80,255</u>
Total business-type activities long-term debt:	<u>\$ 1,876,678</u>	<u>\$ 144,510</u>

TOWN OF NORTH LIBERTY
EXAMINATION RESULT AND COMMENT

PAYROLL DEDUCTIONS

Salaries of Town Council members were paid in 2005 and 2006 without FICA taxes being withheld. Withholdings were made for Medicare taxes.

Total wages were underreported by \$1,650 on the second quarter 941 form filed on July 21, 2006. Medicare wages were correct.

Internal Revenue Service Circular E states that employers "will be liable for social security and medicare taxes and withheld income tax if you do not deduct and withhold them because you treat an employee as a non-employee."

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF NORTH LIBERTY
EXIT CONFERENCE

The contents of this report were discussed on September 5, 2007, with Vicki L. Kitchen, Clerk-Treasurer; and Timothy M. VanOverberghe, President of the Town Council. The officials concurred with our finding.