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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, 2007 to December 31, 2009



FILED
09/07/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Vicki L. Kitchen	01-01-04 to 12-31-11
President of the Town Council	Timothy M. VanOverberghe	01-01-07 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2007 to December 31, 2009. 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, 2007, 2008, and 2009, 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

July 29, 2010

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, 2007, 2008 And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 156,815	\$ 520,104	\$ 547,256	\$ 129,663
Motor Vehicle Highway	47,707	82,707	56,293	74,121
Local Road and Street	36,464	16,748	6,021	47,191
Park and Recreation	26,501	11,561	25,335	12,727
Law Enforcement Continuing Education	299	1,079	820	558
NLPD K-9 Unit	951	-	446	505
DARE Program	790	-	-	790
Donation	2,682	5,891	7,838	735
Recycling	6,113	14,177	20,246	44
Solid Waste Trash	(991)	51,086	48,300	1,795
Cumulative Capital Improvement	8,312	4,924	3,441	9,795
Cumulative Capital Development	13,251	9,873	845	22,279
County Economic Development Income Tax	10,247	21,576	11,517	20,306
Major Moves	168,299	8,809	-	177,108
Car Seat Grant	5	1,700	1,705	-
Levy Excess	3,268	33,493	17,200	19,561
Brownsfield IDFA	-	6,116	6,116	-
Proprietary Funds:				
Water Utility - Operating	124	431,800	412,490	19,434
Water Utility - Bond and Interest	231,577	169,718	96,500	304,795
Water Utility - Depreciation	22,483	50,724	23,661	49,546
Water Utility - Customer Deposit	29,632	6,572	4,854	31,350
Water Utility - Improvement	16,260	6,000	-	22,260
Wastewater Utility - Operating	21,272	450,749	432,060	39,961
Wastewater Utility - Bond and Interest	26,659	106,595	106,400	26,854
Wastewater Utility - Debt	111,898	60,000	60,000	111,898
Wastewater Utility - Dormant Bonds	2,465	-	-	2,465
Wastewater Utility - Customer Deposit	20,624	6,347	2,999	23,972
Wastewater Utility - Construction	15,594	-	14,272	1,322
Wastewater Utility - Improvement	478	14,272	14,272	478
Fiduciary Fund:				
Payroll	1,545	547,737	548,163	1,119
Totals	<u>\$ 981,324</u>	<u>\$ 2,640,358</u>	<u>\$ 2,469,050</u>	<u>\$ 1,152,632</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, 2007, 2008 And 2009
(Continued)

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 129,663	\$ 462,597	\$ 540,714	\$ 51,546
Motor Vehicle Highway	74,121	70,452	60,161	84,412
Local Road and Street	47,191	15,863	18,071	44,983
Park and Recreation	12,727	15,884	26,261	2,350
Law Enforcement Continuing Education	558	1,532	724	1,366
NLPD K-9 Unit	505	-	505	-
DARE Program	790	-	-	790
Rainy Day	-	28,477	8,831	19,646
Donation	735	-	133	602
Recycling	44	12,966	11,177	1,833
Solid Waste Trash	1,795	52,208	53,417	586
Cumulative Capital Improvement	9,795	4,559	-	14,354
Cumulative Capital Development	22,279	3,683	19,069	6,893
County Economic Development Income Tax	20,306	24,282	-	44,588
Major Moves	177,108	7,973	-	185,081
Car Seat Grant	-	500	300	200
Levy Excess	19,561	-	19,561	-
Proprietary Funds:				
Water Utility - Operating	19,434	413,490	393,696	39,228
Water Utility - Bond and Interest	304,795	152,738	111,055	346,478
Water Utility - Depreciation	49,546	37,626	80,867	6,305
Water Utility - Customer Deposit	31,350	4,126	4,197	31,279
Water Utility - Improvement	22,260	6,000	-	28,260
Wastewater Utility - Operating	39,961	410,685	448,625	2,021
Wastewater Utility - Bond and Interest	26,854	183,436	193,223	17,067
Wastewater Utility - Debt	111,898	111,897	223,795	-
Wastewater Utility - Dormant Bonds	2,465	-	-	2,465
Wastewater Utility - Customer Deposit	23,972	3,481	2,717	24,736
Wastewater Utility - Construction	1,322	-	-	1,322
Wastewater Utility - Improvement	478	25,000	-	25,478
Fiduciary Fund:				
Payroll	1,119	604,283	603,101	2,301
Totals	<u>\$ 1,152,632</u>	<u>\$ 2,653,738</u>	<u>\$ 2,820,200</u>	<u>\$ 986,170</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, 2007, 2008 And 2009
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 51,546	\$ 795,368	\$ 778,029	\$ 68,885
Motor Vehicle Highway	84,412	65,994	76,494	73,912
Local Road and Street	44,983	84,860	80,000	49,843
Park and Recreation	2,350	21,287	12,216	11,421
Law Enforcement Continuing Education	1,366	1,896	1,130	2,132
DARE Program	790	-	311	479
Rainy Day	19,646	4,551	15,150	9,047
Donation	602	4,504	3,164	1,942
Recycling	1,833	13,774	12,068	3,539
Solid Waste Trash	586	77,725	67,165	11,146
Cumulative Capital Improvement	14,354	4,299	1,888	16,765
Cumulative Capital Development	6,893	12,198	5,095	13,996
County Economic Development Income Tax	44,588	110,356	99,177	55,767
Major Moves	185,081	7,549	-	192,630
Car Seat Grant	200	-	-	200
Excess Welfare Distribution	-	15,781	-	15,781
HUD	-	60,964	-	60,964
Proprietary Funds:				
Water Utility - Operating	39,228	426,637	415,140	50,725
Water Utility - Bond and Interest	346,478	140,661	109,940	377,199
Water Utility - Depreciation/Improvement	34,565	135,163	74,409	95,319
Water Utility - Customer Deposit	31,279	5,418	4,975	31,722
Wastewater Utility - Operating	2,021	403,858	403,175	2,704
Wastewater Utility - Bond and Interest	17,067	118,402	108,257	27,212
Wastewater Utility - Debt	-	111,898	35,000	76,898
Wastewater Utility - Dormant Bonds	2,465	-	2,465	-
Wastewater Utility - Customer Deposit	24,736	4,592	3,610	25,718
Wastewater Utility - Construction	1,322	-	-	1,322
Wastewater Utility - Improvement	25,478	-	-	25,478
Fiduciary Fund:				
Payroll	2,301	530,903	532,196	1,008
Totals	<u>\$ 986,170</u>	<u>\$ 3,158,638</u>	<u>\$ 2,841,054</u>	<u>\$ 1,303,754</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, health and social services, 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.

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

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.

Note 7. Subsequent Event

During 2010, the Town was awarded two federal grants. One is for downtown beautification, in the amount of \$500,000. The other award is for storm water drainage improvements, in the amount of \$975,000.

TOWN OF NORTH LIBERTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 As of December 2009

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	\$ 17,018
Infrastructure	1,330,433
Buildings	27,860
Improvements	5,025
Machinery and equipment	<u>92,923</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 1,473,259</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 21,581
Buildings	191,594
Improvements other than buildings	2,805,284
Machinery and equipment	<u>283,904</u>
Total Water Utility capital assets	<u>3,302,363</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	18,220
Buildings	205,976
Improvements other than buildings	1,853,243
Machinery and equipment	<u>255,506</u>
Total Wastewater Utility capital assets	<u>2,332,945</u>
Total business-type activities capital assets	<u>\$ 5,635,308</u>

TOWN OF NORTH LIBERTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Plow Truck	\$ 6,185	\$ 2,236
Dump Truck	<u>4,805</u>	<u>3,756</u>
Total governmental activities debt	<u>\$ 10,990</u>	<u>\$ 5,992</u>
Business-type activities:		
Water Utility:		
Capital leases:		
Plow Truck	\$ 6,185	\$ 2,236
Dump Truck	4,805	3,756
Revenue bonds:		
1974 Waterworks improvements	134,000	31,700
1999 Waterworks improvements	145,000	41,881
2003 Waterworks improvements	<u>667,000</u>	<u>38,015</u>
Total Water Utility	<u>956,990</u>	<u>117,588</u>
Wastewater Utility:		
Capital leases:		
Plow Truck	6,185	2,236
Dump Truck	4,805	3,756
Revenue bonds:		
1999 Sewage works refunding and revenue		
2006 Sewage works revenue	<u>490,000</u>	<u>108,838</u>
Total Wastewater Utility	<u>500,990</u>	<u>114,830</u>
Total business-type activities debt	<u>\$ 1,457,980</u>	<u>\$ 232,418</u>

TOWN OF NORTH LIBERTY
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT ERRORS

The annual financial reports presented for audit contained errors and did not agree to the ledgers. Five funds' cash balances shown in the 2009 annual report did not agree to the ledger (fund report). For example, the recycling fund shows a December 31, 2009, balance of \$1,833 in the annual report, but a balance of \$3,539 in the fund report.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INVESTMENT REGISTER

The investment register provided for audit did not contain information shown on the prescribed form, Register of Investments, Form 350. The investment register provided for audit did not include the type of investment, investment number, or the date(s) interest was received.

Two funds' December 31, 2009 investments shown in the investment register did not agree to the investments shown in the annual financial report. In one example, the investment register shows the water operating fund with a \$12,000 investment that is not shown on the annual report. The Clerk-Treasurer explained that this investment was sold on August 19, 2009, but the investment register was not updated.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

The December 31, 2009 depository reconciliations of the fund balances, totaling \$1,303,757, did not agree to the net bank account balances, totaling \$1,303,772. The difference is \$15. Neither balance agreed to the total funds' balance shown in the annual financial report, in the amount of \$1,304,468. The difference between the annual report balance and the fund ledger balances was \$711.

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

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

TOWN OF NORTH LIBERTY
EXIT CONFERENCE

The contents of this report were discussed on July 29, 2010, with Vicki L. Kitchen, Clerk-Treasurer; and with Timothy M. VanOverberghe, President of the Town Council. The officials concurred with our findings.