

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

EXAMINATION REPORT
OF
CITY OF LIGONIER
NOBLE COUNTY, INDIANA
January 1, 2009 to December 31, 2009



FILED
11/16/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information:	
Schedule of Long-Term Debt	7
Examination Results and Comments:	
Bank Account Reconciliations	8
Capital Asset Records	8
Overdrawn Fund Balances	8
Condition of Records	8-9
Appropriations.....	9
Hydrant Rental.....	9
Exit Conference.....	10
Official Response	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Norma Brady Barb Donley Barb Hawn	01-01-08 to 05-15-10 05-16-10 to 06-07-10 06-08-10 to 12-31-11
Mayor	Patricia Fisel	01-01-08 to 12-31-11
President of the City Council	Kenneth Schuman	01-01-09 to 12-31-10
President of the Board of Public Works and Safety	Patricia Fisel	01-01-09 to 12-31-10
Superintendent of Water Utility	Jeffrey Boyle	01-01-09 to 12-31-10
Superintendent of Wastewater Utility	Environmental Management Corporation	01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Ligonier (City), for the period of January 1, 2009 to December 31, 2009. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

September 2, 2010

CITY OF LIGONIER
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 111,367	\$ 1,761,483	\$ 1,742,749	\$ 130,101
Motor Vehicle Highway	204,208	247,961	347,018	105,151
Local Road and Street	76,428	19,384	66,837	28,975
Park and Recreation	10,548	119,368	104,692	25,224
Law Enforcement Continuing Education	5,457	3,293	6,530	2,220
Riverboat	55,713	27,266	32,953	50,026
Sports/Recreation	33,679	130,895	125,124	39,450
Park Nonreverting Operating	4,332	22,678	20,888	6,122
Rex Hagen Family Foundation	15,000	5,000	20,000	-
City Gift	6,543	20,899	21,761	5,681
Park Gift	29,121	52,400	5,441	76,080
Fire Grant	405	-	-	405
Rainy Day	200,941	45,499	9,747	236,693
Reimbursement Grant	-	81,095	56,539	24,556
State Grant	3,190	-	-	3,190
Thompson Beautification	4,051	5,300	7,388	1,963
Redevelopment Authority Lease Payment	120,964	270,373	270,373	120,964
Redevelopment Authority Debt Service Reserve	277,480	-	8,461	269,019
Land Purchase	24,272	665	-	24,937
Downtown Redevelopment	610	-	-	610
General Improvement	93,796	27,308	-	121,104
Park Nonreverting Capital	6,546	57	-	6,603
TIF Number 2 - Warren	1,236,541	781,649	482,781	1,535,409
CEDIT	122,036	184,990	213,634	93,392
CFF Streetscape	-	452,820	451,410	1,410
Cumulative Capital Improvement	34,611	13,392	-	48,003
Cumulative Capital Development	128,990	54,701	-	183,691
Cumulative Building and Fire Fighting Equipment	89,466	31,277	24,150	96,593
General Obligation Bonds	601,502	238,531	227,334	612,699
Proprietary Funds:				
Water Utility - Operating	497,035	782,872	1,139,430	140,477
Water Utility - Bond and Interest	(155,933)	436,017	263,021	17,063
Water Utility - Depreciation	11,487	303	-	11,790
Water Utility - Customer Deposit	12,030	599	10,703	1,926
Water Utility - Construction	(152,405)	152,835	430	-
Water Utility - Debt Service Reserve	326,828	-	-	326,828
Wastewater Utility - Operating	2,131,951	906,095	863,002	2,175,044
Wastewater Utility - Bond and Interest	871,922	859,592	803,380	928,134
Wastewater Utility - Depreciation	239,409	1,353	-	240,762
Wastewater Utility - Construction	(13,484)	25,606	12,022	100
Wastewater Utility - Debt Service Reserve	378,404	-	-	378,404
Fiduciary Funds:				
Indiana Employment	11,508	-	12,212	(704)
Payroll	(71,848)	1,136,503	1,106,230	(41,575)
Total	<u>\$ 7,584,701</u>	<u>\$ 8,900,059</u>	<u>\$ 8,456,240</u>	<u>\$ 8,028,520</u>

CITY OF LIGONIER
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF LIGONIER
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

CITY OF LIGONIER
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2009

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Street Sweeper	\$ 23,233	\$ 22,324
Police Car	7,498	7,970
Dump Truck	41,347	43,513
Truck	18,305	6,753
Fire Truck	90,811	48,299
Injection Patcher Trailer	37,575	8,872
Bonds payable:		
General obligation bonds:		
Street Improvements	650,000	233,163
Redevelopment Lease Rental Bonds	<u>2,405,000</u>	<u>265,591</u>
Total governmental activities debt	<u>\$ 3,273,769</u>	<u>\$ 636,485</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
1998 Revenue Bonds	\$ 1,800,000	\$ 198,405
2003 Revenue Bonds	<u>1,140,000</u>	<u>110,428</u>
Total Water Utility	<u>2,940,000</u>	<u>308,833</u>
Wastewater Utility:		
Revenue bonds:		
2002 Bonds (Loan)	1,730,000	101,403
2005 Revenue Bonds	2,830,000	263,863
2006 Revenue Bonds	<u>4,000,000</u>	<u>92,154</u>
Total Wastewater Utility	<u>8,560,000</u>	<u>457,420</u>
Total business-type activities debt	<u>\$ 11,500,000</u>	<u>\$ 766,253</u>

CITY OF LIGONIER
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were presented for examination; however, they were not completed timely and they were not completed by City Officials. In June 2010, the City hired the accounting firm H.J. Umbaugh and Associates, to perform bank reconciliations from January 2009 through December 2009 and to date. Numerous adjusting entries recommended by the accounting firm had to be made to reconcile the fund balances to the bank account balances. A similar comment was included in Report B35364.

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

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

CAPITAL ASSET RECORDS

The City does not maintain sufficient detailed records of capital assets for the City, Water Utility, and Wastewater Utility. Upon purchase, the costs of the capital assets are not added to a listing of capital assets. Records classifying and summarizing the capital assets are incomplete. Deletions or disposals of capital assets are not recorded. This comment was included in prior audit Report No. B35364.

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

OVERDRAWN FUND BALANCES

The Indiana Employment Fund and the Payroll Fund were overdrawn in 2009 by (\$704) and (\$41,575), respectively.

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

CONDITION OF RECORDS

The following posting errors were noted during the audit:

1. Disbursements for construction in the amount of \$210,112 were posted to the General Obligation Bonds Fund. This fund is for the repayment of bond and interest only. We advise a correcting entry be made in the current year with reimbursement to this fund from a construction fund.

CITY OF LIGONIER
EXAMINATION RESULTS AND COMMENTS
(Continued)

2. There were two posting errors regarding the receipt of local tax distributions. A deposit on December 7, 2009, of \$2,105 for financial institutional tax (FIT) was posted entirely to the General Fund instead of each individual fund. A deposit on July 28, 2009, for FIT of \$223 was posted to the Park and Recreation Fund instead of the Sports/Recreation Fund. We advise a correcting entry be made to post these to the correct funds.

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)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Year	Excess Amount Expended
General Obligation Bonds	2009	\$ 211,142
Indiana Employment	2009	7,212
Motor Vehicle Highway	2009	27,202

IC 6-1.1-18-4 states, in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

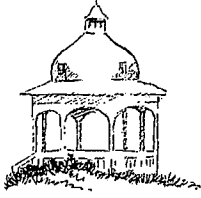
HYDRANT RENTAL

The City pays the Water Utility for hydrant rental. The number of hydrants owned by the City per the asset list does not agree to the amount paid.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF LIGONIER
EXIT CONFERENCE

The contents of this report were discussed on September 2, 2010, with Barb Hawn, Clerk-Treasurer; Patricia Fisel, Mayor; and Gary Bishop, City Council member. The official response has been made a part of this report and may be found on page 11.



City of Ligonier

103 West Third Street
Ligonier, Indiana 46767
Office of
Clerk-Treasurer
Phone (260) 894-4113

OFFICIAL RESPONSE

September 3, 2010

State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, Indiana 46204-2765

To Whom It May Concern:

The contents of the 2009 Audit Report for the City of Ligonier were discussed with the State Board of Accounts Auditor on September 2, 2010. Mayor Patty Fisel, current Clerk-Treasurer Barb Hawn, and City Council Member Gary Bishop were present representing the City of Ligonier.

The City of Ligonier wishes to reiterate that for the period reflected in this examination report, January 1, 2009 through December 31, 2009, the infractions noted were incurred by a former clerk-treasurer, who has since resigned her office.

With respect to the results and comments, the current clerk-treasurer is addressing each of the infractions and will work to rectify them in the current year.

Sincerely,

Patty Fisel
Mayor, City of Ligonier