

B44571

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF PRINCETON  
GIBSON COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
12/09/2014



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mindy Brines	01-01-12 to 12-31-15
Mayor	Robert Hurst	01-01-12 to 12-31-15
President of the Board of Public Works	Robert Hurst	01-01-13 to 12-31-14
President Pro Tempore of the Common Council	Steve Taylor	01-01-13 to 12-31-14
Superintendent of Water Distribution	J. B. Brines	01-01-13 to 12-31-14
Superintendent of Water Treatment	Dennis Gray	01-01-13 to 12-31-14
Superintendent of Wastewater Utility	Charles Woodruff	01-01-13 to 12-31-14



## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF PRINCETON, GIBSON COUNTY, INDIANA

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

We have audited the accompanying financial statement of the City of Princeton (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement.

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

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

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

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2013.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2013, 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 October 22, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

***Accompanying Information***

*Supplementary Information*

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, 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 statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

  
Paul D. Joyce, CPA  
State Examiner

October 22, 2014



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE CITY OF PRINCETON, GIBSON COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Princeton (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated October 22, 2014, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be material weaknesses.

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

***Compliance and Other Matters***

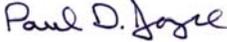
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

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

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

***Purpose of This Report***

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

  
Paul D. Joyce, CPA  
State Examiner

October 22, 2014

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

CITY OF PRINCETON  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended December 31, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
GENERAL FUND	\$ 306,032	\$ 4,040,858	\$ 3,661,420	\$ 685,470
M V H	371,184	642,720	675,778	338,126
LOCAL ROAD AND STREET	35,494	33,793	34,577	34,710
FEDERAL SEIZURE FUND	379	-	-	379
EDIT DISTRIBUTION	118,935	907,607	641,088	385,454
DEMOLITION OF BUILDING	128,299	40,096	47,852	120,543
PLANNING COMMISSION	9,713	47,088	46,223	10,578
POLICE NARCOTIC FUND	947	-	-	947
STELLAR GRANT	-	68,673	68,623	50
LAW ENF. CONT. ED. FUND	14,030	10,794	14,408	10,416
PARK AND RECREATION	287,771	411,483	344,798	354,456
RAINY DAY	3,576	-	-	3,576
POLICE K-9	1,388	-	-	1,388
EDIT FUND INVESTMENT	157,428	165	157,593	-
FIRE TERRITORY OPERATING	429,871	3,058,697	2,765,393	723,175
CCDF-CUM CAP DEV FUND	84,513	87,037	23,781	147,769
STELLAR MATCH	390,849	812,209	753,849	449,209
2013 BOND	-	6,535,668	662,597	5,873,071
BAN 2012	1,417,372	8,840	614,268	811,944
CUM CAP IMPROVEMENT	25,824	23,206	36,848	12,182
FIRE TERRITORY EQUIP.FUND	295,047	508,655	244,942	558,760
POLICE PENSION	387,626	746,631	469,522	664,735
FIRE PENSION	346,235	740,147	388,713	697,669
DONATION FUND	9,782	20,426	26,054	4,154
FIRE TERRITORY GRANT FUND	337	-	-	337
USDA REDEVELOP. (FEDERAL)	29,753	9,972	119	39,606
GENERAL MONEY MARKET INVE	50,000	-	50,000	-
PAYROLL	60,544	5,130,084	5,173,323	17,305
CLEARING HOUSE ACCOUNT	73,151	5,562,786	5,622,500	13,437
FIRE PENSION INVESTMENT	303,303	321	303,624	-
POLICE PENSION INVESTMENT	303,303	321	303,624	-
INSURANCE TRUST FUND	100,081	1,070,656	1,117,742	52,995
FIRE EQUIPMENT FUND	(334)	334	-	-
SEWAGE OPERATING	259,057	2,924,838	2,613,295	570,600
SEWAGE BOND & INTEREST	-	315,900	291,035	24,865
SEW DEBT SERV RESERVE	138,000	-	-	138,000
SEWAGE CASH CHANGE	250	-	-	250
SEWAGE IMPROVEMENT FUND	36,405	-	-	36,405
SEWAGE IMP. INVESTMENT	25,663	28	25,691	-
WATER OPERATING	243,473	2,462,187	2,568,183	137,477
GUARANTEE METER	135,238	37,853	34,588	138,503
WATER TREATMENT PLANT CON	386	-	386	-
BOSHOKU IEDC WATER GRANT	7,288	-	-	7,288
WATER CASH CHANGE	250	-	-	250
2012 WATER BD & IN	69,867	411,000	298,166	182,701
WATER DEBT SER RESERVE	249,000	-	-	249,000
GUARANTEE METER INVEST.	75,814	83	75,897	-
ONB/JOHNSON CONTROLS	144,351	246,641	227,669	163,323
2010 WATER BOND AND INT.	154,216	237,986	218,701	173,501
2010 WATER DEBT SER. RES.	181,125	-	-	181,125
Totals	<u>\$ 7,462,816</u>	<u>\$ 37,155,783</u>	<u>\$ 30,602,870</u>	<u>\$ 14,015,729</u>

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

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

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

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

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the 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 statement. The aggregate receipts include the following sources:

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

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

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENT  
(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 statement. The aggregate disbursements include the following uses:

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

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

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

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

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENT  
(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 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.

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENT  
(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.

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

*Funding Policy*

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

*On Behalf Payments*

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

*C. 1937 Firefighters' Pension Plan*

*Plan Description*

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

*Funding Policy*

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

*On Behalf Payments*

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*D. 1977 Police Officers' and Firefighters' Pension and Disability Fund*

*Plan Description*

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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

*Funding Policy*

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

**Note 7. Combined Funds**

Funds related to EDIT Distribution and EDIT Fund Investment; Police Pension and Police Pension Investment; Fire Pension and Fire Pension Investment; Sewage Operating and Sewage Improvement Fund; and Guarantee Meter and Guarantee Meter Investment were reported individually in the current financial statement but were combined into one fund for the prior financial statement.

**Note 8. Subsequent Events**

In March 2014, the City awarded a contract to Danco Construction, Inc., in the amount of \$2,734,665 for the Princeton Theatre/Community Center project and a contract to ARC Construction Company in the amount of \$682,940 for the Princeton Bicentennial Park project. In October 2014, the City awarded a contract to ARC Construction, Inc., in the amount of \$1,327,960 for the Downtown Façade project.

In September 2014, the City was awarded a Community Development Block Grant under the Stellar Communities Program in the amount of \$1,333,000 for the Downtown Facades Construction project.

## SUPPLEMENTARY INFORMATION - UNAUDITED

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

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

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

CITY OF PRINCETON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013

	GENERAL FUND	M V H	LOCAL ROAD AND STREET	FEDERAL SEIZURE FUND	EDIT DISTRIBUTION	DEMOLITION OF BUILDING	PLANNING COMMISSION
Cash and investments - beginning	\$ 306,032	\$ 371,184	\$ 35,494	\$ 379	\$ 118,935	\$ 128,299	\$ 9,713
Receipts:							
Taxes	1,879,362	244,566	-	-	-	5,019	41,115
Licenses and permits	119,297	-	-	-	-	-	5,339
Intergovernmental	221,018	304,011	33,793	-	709,220	77	634
Charges for services	561,707	15,383	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	1,259,474	78,760	-	-	198,387	35,000	-
Total receipts	<u>4,040,858</u>	<u>642,720</u>	<u>33,793</u>	<u>-</u>	<u>907,607</u>	<u>40,096</u>	<u>47,088</u>
Disbursements:							
Personal services	1,942,909	336,236	-	-	-	-	41,071
Supplies	71,030	222,521	34,577	-	-	-	456
Other services and charges	278,769	32,786	-	-	120,919	-	4,404
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	50,542	5,952	-	-	148,369	12,852	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,318,170	78,283	-	-	371,800	35,000	292
Total disbursements	<u>3,661,420</u>	<u>675,778</u>	<u>34,577</u>	<u>-</u>	<u>641,088</u>	<u>47,852</u>	<u>46,223</u>
Excess (deficiency) of receipts over disbursements	<u>379,438</u>	<u>(33,058)</u>	<u>(784)</u>	<u>-</u>	<u>266,519</u>	<u>(7,756)</u>	<u>865</u>
Cash and investments - ending	<u>\$ 685,470</u>	<u>\$ 338,126</u>	<u>\$ 34,710</u>	<u>\$ 379</u>	<u>\$ 385,454</u>	<u>\$ 120,543</u>	<u>\$ 10,578</u>

CITY OF PRINCETON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	POLICE NARCOTIC FUND	STELLAR GRANT	LAW ENF. CONT. ED. FUND	PARK AND RECREATION	RAINY DAY	POLICE K-9	EDIT FUND INVESTMENT
Cash and investments - beginning	\$ 947	\$ -	\$ 14,030	\$ 287,771	\$ 3,576	\$ 1,388	\$ 157,428
Receipts:							
Taxes	-	-	-	277,188	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	68,673	-	4,373	-	-	-
Charges for services	-	-	-	123,936	-	-	-
Fines and forfeits	-	-	884	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	9,910	5,986	-	-	165
Total receipts	-	68,673	10,794	411,483	-	-	165
Disbursements:							
Personal services	-	-	-	214,977	-	-	-
Supplies	-	-	14,408	24,509	-	-	-
Other services and charges	-	68,623	-	67,092	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	32,611	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	5,609	-	-	157,593
Total disbursements	-	68,623	14,408	344,798	-	-	157,593
Excess (deficiency) of receipts over disbursements	-	50	(3,614)	66,685	-	-	(157,428)
Cash and investments - ending	\$ 947	\$ 50	\$ 10,416	\$ 354,456	\$ 3,576	\$ 1,388	\$ -

CITY OF PRINCETON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	FIRE TERRITORY OPERATING	CCDF-CUM CAP DEV FUND	STELLAR MATCH	2013 BOND	BAN 2012	CUM CAP IMPROVEMENT
Cash and investments - beginning	\$ 429,871	\$ 84,513	\$ 390,849	\$ -	\$ 1,417,372	\$ 25,824
Receipts:						
Taxes	2,528,624	85,704	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	16,812	1,322	812,209	-	-	23,205
Charges for services	1,034	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	512,227	11	-	6,535,668	8,840	1
Total receipts	<u>3,058,697</u>	<u>87,037</u>	<u>812,209</u>	<u>6,535,668</u>	<u>8,840</u>	<u>23,206</u>
Disbursements:						
Personal services	1,952,087	-	-	-	-	-
Supplies	41,661	1,552	-	-	-	36,848
Other services and charges	97,110	22,229	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	62,848	-	112,523	-	15,017	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	611,687	-	641,326	662,597	599,251	-
Total disbursements	<u>2,765,393</u>	<u>23,781</u>	<u>753,849</u>	<u>662,597</u>	<u>614,268</u>	<u>36,848</u>
Excess (deficiency) of receipts over disbursements	<u>293,304</u>	<u>63,256</u>	<u>58,360</u>	<u>5,873,071</u>	<u>(605,428)</u>	<u>(13,642)</u>
Cash and investments - ending	<u>\$ 723,175</u>	<u>\$ 147,769</u>	<u>\$ 449,209</u>	<u>\$ 5,873,071</u>	<u>\$ 811,944</u>	<u>\$ 12,182</u>

CITY OF PRINCETON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	FIRE TERRITORY EQUIP.FUND	POLICE PENSION	FIRE PENSION	DONATION FUND	FIRE TERRITORY GRANT FUND	USDA REDEVELOP. (FEDERAL)
Cash and investments - beginning	\$ 295,047	\$ 387,626	\$ 346,235	\$ 9,782	\$ 337	\$ 29,753
Receipts:						
Taxes	200,174	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	1,331	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	<u>307,150</u>	<u>746,631</u>	<u>740,147</u>	<u>20,426</u>	<u>-</u>	<u>9,972</u>
Total receipts	<u>508,655</u>	<u>746,631</u>	<u>740,147</u>	<u>20,426</u>	<u>-</u>	<u>9,972</u>
Disbursements:						
Personal services	-	269,522	188,713	-	-	-
Supplies	-	-	-	14,978	-	-
Other services and charges	-	200,000	200,000	2,429	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	69,609	-	-	8,292	-	119
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>175,333</u>	<u>-</u>	<u>-</u>	<u>355</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>244,942</u>	<u>469,522</u>	<u>388,713</u>	<u>26,054</u>	<u>-</u>	<u>119</u>
Excess (deficiency) of receipts over disbursements	<u>263,713</u>	<u>277,109</u>	<u>351,434</u>	<u>(5,628)</u>	<u>-</u>	<u>9,853</u>
Cash and investments - ending	<u>\$ 558,760</u>	<u>\$ 664,735</u>	<u>\$ 697,669</u>	<u>\$ 4,154</u>	<u>\$ 337</u>	<u>\$ 39,606</u>

CITY OF PRINCETON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	GENERAL MONEY MARKET INVE	PAYROLL	CLEARING HOUSE ACCOUNT	FIRE PENSION INVESTMENT	POLICE PENSION INVESTMENT	INSURANCE TRUST FUND
Cash and investments - beginning	\$ 50,000	\$ 60,544	\$ 73,151	\$ 303,303	\$ 303,303	\$ 100,081
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	1	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	2,767	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	5,130,083	5,560,019	321	321	1,070,656
Total receipts	-	5,130,084	5,562,786	321	321	1,070,656
Disbursements:						
Personal services	-	4,713,825	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	50,000	459,498	5,622,500	303,624	303,624	1,117,742
Total disbursements	50,000	5,173,323	5,622,500	303,624	303,624	1,117,742
Excess (deficiency) of receipts over disbursements	(50,000)	(43,239)	(59,714)	(303,303)	(303,303)	(47,086)
Cash and investments - ending	\$ -	\$ 17,305	\$ 13,437	\$ -	\$ -	\$ 52,995

CITY OF PRINCETON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	FIRE EQUIPMENT FUND	SEWAGE OPERATING	SEWAGE BOND & INTEREST	SEW DEBT SERV RESERVE	SEWAGE CASH CHANGE	SEWAGE IMPROVEMENT FUND
Cash and investments - beginning	\$ (334)	\$ 259,057	\$ -	\$ 138,000	\$ 250	\$ 36,405
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	59,496	-	-	-	-
Penalties	-	22,931	-	-	-	-
Other receipts	334	2,842,411	315,900	-	-	-
Total receipts	334	2,924,838	315,900	-	-	-
Disbursements:						
Personal services	-	661,417	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	15,000	-	-	-	-
Debt service - principal and interest	-	-	291,035	-	-	-
Capital outlay	-	7,274	-	-	-	-
Utility operating expenses	-	1,093,132	-	-	-	-
Other disbursements	-	836,472	-	-	-	-
Total disbursements	-	2,613,295	291,035	-	-	-
Excess (deficiency) of receipts over disbursements	334	311,543	24,865	-	-	-
Cash and investments - ending	\$ -	\$ 570,600	\$ 24,865	\$ 138,000	\$ 250	\$ 36,405

CITY OF PRINCETON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	SEWAGE IMP. INVESTMENT	WATER OPERATING	GUARANTEE METER	WATER TREATMENT PLANT CON	BOSHOKU IEDC WATER GRANT	WATER CASH CHANGE
Cash and investments - beginning	\$ 25,663	\$ 243,473	\$ 135,238	\$ 386	\$ 7,288	\$ 250
Receipts:						
Taxes	-	8	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	71,674	37,686	-	-	-
Penalties	-	14,123	-	-	-	-
Other receipts	28	2,376,382	167	-	-	-
Total receipts	<u>28</u>	<u>2,462,187</u>	<u>37,853</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:						
Personal services	-	553,703	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	15,000	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	1,355	-	-	-	-
Utility operating expenses	-	800,387	34,588	-	-	-
Other disbursements	25,691	1,197,738	-	386	-	-
Total disbursements	<u>25,691</u>	<u>2,568,183</u>	<u>34,588</u>	<u>386</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(25,663)</u>	<u>(105,996)</u>	<u>3,265</u>	<u>(386)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 137,477</u>	<u>\$ 138,503</u>	<u>\$ -</u>	<u>\$ 7,288</u>	<u>\$ 250</u>

CITY OF PRINCETON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	2012 WATER BD & IN	WATER DEBT SER RESERVE	GUARANTEE METER INVEST.	ONB/JOHNSON CONTROLS	2010 WATER BOND AND INT.	2010 WATER DEBT SER. RES.	Totals
Cash and investments - beginning	\$ 69,867	\$ 249,000	\$ 75,814	\$ 144,351	\$ 154,216	\$ 181,125	\$ 7,462,816
Receipts:							
Taxes	-	-	-	-	-	-	5,261,760
Licenses and permits	-	-	-	-	-	-	124,637
Intergovernmental	-	-	-	-	-	-	2,196,678
Charges for services	-	-	-	-	-	-	704,827
Fines and forfeits	-	-	-	-	-	-	884
Utility fees	-	-	-	-	-	-	168,856
Penalties	-	-	-	-	-	-	37,054
Other receipts	411,000	-	83	246,641	237,986	-	28,661,087
Total receipts	411,000	-	83	246,641	237,986	-	37,155,783
Disbursements:							
Personal services	-	-	-	-	-	-	10,874,460
Supplies	-	-	-	-	-	-	462,540
Other services and charges	-	-	-	-	-	-	1,124,361
Debt service - principal and interest	298,166	-	-	227,669	218,701	-	1,035,571
Capital outlay	-	-	-	-	-	-	527,363
Utility operating expenses	-	-	-	-	-	-	1,928,107
Other disbursements	-	-	75,897	-	-	-	14,650,468
Total disbursements	298,166	-	75,897	227,669	218,701	-	30,602,870
Excess (deficiency) of receipts over disbursements	112,834	-	(75,814)	18,972	19,285	-	6,552,913
Cash and investments - ending	\$ 182,701	\$ 249,000	\$ -	\$ 163,323	\$ 173,501	\$ 181,125	\$ 14,015,729

CITY OF PRINCETON  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2013

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ -	\$ 225,006
Water	-	147,696
Governmental activities	<u>70,443</u>	<u>29,760</u>
Totals	<u>\$ 70,443</u>	<u>\$ 402,462</u>

CITY OF PRINCETON  
SCHEDULE OF LEASES AND DEBT  
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Ally Contract Processing Center	Police Cars	\$ 24,760	5/30/2013	5/30/2015
Old National Bank	Economic Development Income Tax Lease Rental Bond of 2013	115,000	1/15/2014	1/15/2033
Old National Bank	Sanitation Truck	<u>32,556</u>	2/6/2013	2/6/2017
Total governmental activities		<u>172,316</u>		
Water:				
Old National Bank	Water Meter Upgrade	<u>227,668</u>	7/1/2011	7/1/2025
Total of annual lease payments		<u>\$ 399,984</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable	Bond Anticipation Notes of 2012	\$ 1,480,000	\$ 12,950
Wastewater:			
Revenue bonds	Sewage Works Refunding Revenue Bond 2012	<u>1,115,000</u>	<u>144,425</u>
Water:			
Revenue bonds	Waterworks Refunding Revenue Bond 2012	2,240,000	324,269
Revenue bonds	Taxable Waterworks Revenue Bonds 2010	75,097	38,735
Revenue bonds	Waterworks Refunding Revenue Bonds 2002	-	-
Revenue bonds	Waterworks Revenue Bonds 2010	<u>2,515,000</u>	<u>181,097</u>
Total Water		<u>4,830,097</u>	<u>544,101</u>
Totals		<u>\$ 7,425,097</u>	<u>\$ 701,476</u>

CITY OF PRINCETON  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2013

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	\$ 131,997
Infrastructure	2,316,402
Buildings	2,565,891
Improvements other than buildings	1,543,044
Machinery, equipment, and vehicles	4,192,077
Total governmental activities	10,749,411
Wastewater:	
Land	13,592,047
Buildings	3,059,188
Improvements other than buildings	7,484,293
Machinery, equipment, and vehicles	4,039,309
Total Wastewater	28,174,837
Water:	
Land	154,850
Buildings	1,936,684
Improvements other than buildings	8,039,083
Machinery, equipment, and vehicles	359,502
Total Water	10,490,119
Total capital assets	\$ 49,414,367

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE CITY OF PRINCETON, GIBSON COUNTY, INDIANA

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

We have audited the City of Princeton's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2013. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

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

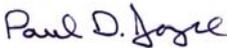
***Report on Internal Control Over Compliance***

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

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

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

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

  
Paul D. Joyce, CPA  
State Examiner

October 22, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

CITY OF PRINCETON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>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				
Theater/Community Center	Indiana Housing and Community Development Authority	14.228	DR2SC-012-003	\$ 296,035
Downtown Facades Planning Grant	Indiana Office of Community and Rural Affairs	14.228	ST-11-104	167,000
Total - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				<u>463,035</u>
Total - CDBG - State-Administered CDBG Cluster				<u>463,035</u>
Total - Department of Housing and Urban Development				<u>463,035</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction Trails Project				
	Indiana Department on Transportation	20.205	DES #516462	49,300
Total - Highway Planning and Construction Cluster				<u>49,300</u>
Total - Department of Transportation				<u>49,300</u>
<u>Environmental Protection Agency</u>				
Capitalization Grant for Drinking Water State Revolving Funds				
	Indiana Finance Authority	66.468	DW-09582601	15,496
Total - Environmental Protection Agency				<u>15,496</u>
<u>Department of Homeland Security</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disaster)				
Hurricane Sandy Relief				
	Indiana Department of Homeland Security	97.036	DR-1997	6,231
Total - Department of Homeland Security				<u>6,231</u>
Total federal awards expended				<u>\$ 534,062</u>

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

CITY OF PRINCETON  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

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



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

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

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

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

- (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 the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

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

No matters are reportable.

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AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.

# City of Princeton

Clerk-Treasurer  
P.O. BOX 15  
PRINCETON, IN 47670  
(812) 385-3283

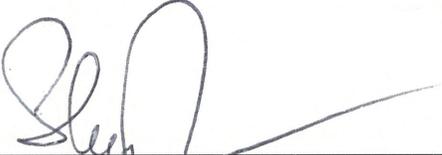
October 6, 2014

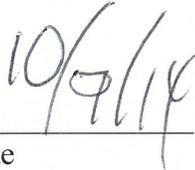
## Corrective Action Plan

FINDING 2013-001 – INTERNAL CONTROLS AND COMPLIANCE ISSUE OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.

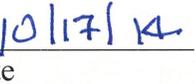
The Clerk-Treasurer will work in conjunction with the Mayor to ensure that monies received from federal grants and expended by the City of Princeton are properly documented. The Clerk-Treasurer, Mindy Brines, will be responsible for providing this funding information in each annual report as well as the Schedule of Expenditures of Federal Awards beginning with the report created by the end of February 2015.

City of Princeton

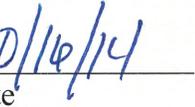
  
\_\_\_\_\_  
Council President

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Clerk-Treasurer

  
\_\_\_\_\_  
Date

#### OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the City. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.