

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

EXAMINATION REPORT
OF
TOWN OF PRINCE'S LAKES
JOHNSON COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
01/15/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information:	
Schedule of Capital Assets.....	7
Schedule of Long-Term Debt	8
Examination Results and Comments:	
Bank Account Reconciliations	9
Clerk-Treasurer's Salary.....	9-10
Overdrawn Cash Balances.....	10
Exit Conference.....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah S. Workman	01-01-06 to 12-31-11
President of the Town Council	Charlie Bourne Pete Ketchum	01-01-06 to 12-31-07 01-01-08 to 12-31-08



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 TOWN OF PRINCE'S LAKES, JOHNSON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Prince's Lakes (Town), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, 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

December 17, 2008

TOWN OF PRINCE'S LAKES
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, 2006 And 2007

	Cash and Investments		Cash and Investments	
	01-01-06	Receipts	Disbursements	12-31-06
Governmental Funds:				
General	\$ 166,489	\$ 317,766	\$ 279,775	\$ 204,480
Motor Vehicle Highway	26,213	140,153	101,483	64,883
Local Road and Street	71,088	23,099	17,383	76,804
Donations	968	-	-	968
Police Donations	100	-	-	100
Park and Recreation	6,508	6,521	6,364	6,665
Park and Recreation Nonreverting Operating	173	-	-	173
Law Enforcement Continuing Education	3,535	395	-	3,930
Community Development Donation Walking Trail	502	274	-	776
Rainy Day	7,997	-	-	7,997
Culvert Donations	1,817	-	-	1,817
Public Affairs Donation	481	760	314	927
Unsafe Building Donation	1,156	28	-	1,184
Cumulative Capital Improvement	26,891	5,380	-	32,271
Cumulative Capital Development	31,012	-	-	31,012
Proprietary Funds:				
Water Utility - Operating	448,763	860,019	851,636	457,146
Water Utility - Bond and Interest	57,315	2,195	-	59,510
Water Utility - Sinking	3,617	36	-	3,653
Water Utility - Depreciation	37,632	-	-	37,632
Water Utility - Customer Deposit	79,424	4,714	7,453	76,685
Wastewater Utility - Operating	300,977	906,723	790,802	416,898
Wastewater Utility - Bond and Interest	104,542	432,012	295,390	241,164
Wastewater Utility - Reserve	402,191	107,888	7,546	502,533
Fiduciary Fund:				
Payroll	(1,305)	154,214	152,538	371
Totals	<u>\$ 1,778,086</u>	<u>\$ 2,962,177</u>	<u>\$ 2,510,684</u>	<u>\$ 2,229,579</u>

	Cash and Investments		Cash and Investments	
	01-01-07	Receipts	Disbursements	12-31-07
Governmental Funds:				
General	\$ 204,480	\$ 323,857	\$ 274,568	\$ 253,769
Motor Vehicle Highway	64,883	116,785	111,397	70,271
Local Road and Street	76,804	23,691	58,000	42,495
Donations	968	-	968	-
Police Donations	100	-	-	100
Park and Recreation	6,665	8,340	15,264	(259)
Park and Recreation Nonreverting Operating	173	-	-	173
Law Enforcement Continuing Education	3,930	3,707	-	7,637
Community Development Donation Walking Trail	776	458	44	1,190
Rainy Day	7,997	7,542	-	15,539
Culvert Donations	1,817	-	-	1,817
Public Affairs Donation	927	1,498	-	2,425
Unsafe Building Donation	1,184	-	-	1,184
Cumulative Capital Improvement	32,271	5,290	-	37,561
Cumulative Capital Development	31,012	-	-	31,012
Proprietary Funds:				
Water Utility - Operating	457,146	853,837	772,665	538,318
Water Utility - Bond and Interest	59,510	-	-	59,510
Water Utility - Sinking	3,653	42	-	3,695
Water Utility - Depreciation	37,632	-	-	37,632
Water Utility - Customer Deposit	76,685	7,500	6,505	77,680
Water Utility - Improvement	-	55,000	-	55,000
Wastewater Utility - Operating	416,898	1,211,746	1,011,666	616,978
Wastewater Utility - Bond and Interest	241,164	610,052	551,687	299,529
Wastewater Utility - Reserve	502,533	102,631	175,549	429,615
Wastewater Utility - Depreciation	-	75,000	-	75,000
Fiduciary Fund:				
Payroll	371	165,794	167,300	(1,135)
Totals	<u>\$ 2,229,579</u>	<u>\$ 3,572,770</u>	<u>\$ 3,145,613</u>	<u>\$ 2,656,736</u>

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

TOWN OF PRINCE'S LAKES
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

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

TOWN OF PRINCE'S LAKES
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Schedule of Receipts, Disbursements, and Cash and Investment Balances

The cash and investment balance of \$2,656,736 reported at December 31, 2007, is \$30,685 more than the amount available in the Town's bank accounts. These errors were identified and corrected late in 2008.

Note 8. Subsequent Event

On June 7, 2008, the Town experienced severe flooding. This resulted in the need to clean up debris as well as damage sustained by the park. The Town was eligible to claim these expenses with the Federal Emergency Management Agency (FEMA) for assistance in this cost. The Town received notice that FEMA allowed costs to date of \$80,469 with the federal contribution being allowed for reimbursement of \$63,962. The Town believes that damage to the park will be allowed for assistance by FEMA.

TOWN OF PRINCE'S LAKES
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 38,329
Buildings	121,507
Improvements other than buildings	61,985
Machinery and equipment	<u>297,046</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 518,867</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 10,759
Infrastructure	5,885,803
Buildings	2,183,062
Improvements other than buildings	8,679,846
Machinery and equipment	<u>648,827</u>
Total Water Utility capital assets	<u>17,408,297</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	65,597
Infrastructure	3,772,956
Buildings	142,176
Improvements other than buildings	3,502,725
Machinery and equipment	<u>240,171</u>
Total Wastewater Utility capital assets	<u>7,723,625</u>
Total business-type activities capital assets	<u>\$ 25,131,922</u>

TOWN OF PRINCE'S LAKES
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

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:		
Copier	\$ 12,250	\$ 3,384
Ford F350 Pickup	<u>19,505</u>	<u>7,432</u>
Total governmental activities debt	<u>\$ 31,755</u>	<u>\$ 10,816</u>
Business-type Activities:		
Wastewater Utility		
State revolving fund loan: 1998 Improvements	<u>\$ 6,403,508</u>	<u>\$ 423,307</u>

TOWN OF PRINCE'S LAKES
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

As noted in Report B29812, the Town did not reconcile the depository reconciliations to the fund report for the examination period.

In 2008, the Town hired a CPA firm to assist them in their reconciliations. This was completed on November 17, 2008, and there were various types of errors discovered that were corrected. Based on this review, the total cash and investments reported in the fund report at December 31, 2006, was overstated \$89,806.64 and December 31, 2007, was overstated \$90,195.13. These amounts include a certificate of deposit for \$59,510.32 that was included in the reconciliation of the Water Utility Operating Fund as well as the Water Utility Bond and Interest Fund. As of November 30, 2008, the Town had corrected these errors and the fund report agreed with balances as reported in the bank reconciliations.

Indiana Code 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."

CLERK-TREASURER'S SALARY

As noted in prior Report B29812, the compensation paid to the current Clerk-Treasurer, who took office on January 1, 2004, was less than that paid to the former Clerk-Treasurer in 2003. After the exit conference which was held on January 17, 2007, the Clerk-Treasurer consulted with an attorney who advised her that she would be entitled to annual pay increases approved by the Town Council in the subsequent years on the former Clerk-Treasurer's salary. She computed and paid back pay for the situation on March 14, 2007, and made an adjustment to the biweekly amount set in the salary ordinance for 2007. A review of this calculation indicated that the amounts used for salary in 2004, 2005, 2006, and 2007 differed from the amount approved for the Clerk-Treasurer's salary in 2003 of \$43,260 or the salary stated in the applicable year's salary ordinance. The back pay for 2004, 2005, and 2006 and salary stated for 2007 was compared to the salary paid for each of these years as noted in the schedule below:

<u>Years</u>	<u>Salary Ordinance</u>	<u>Salary Paid</u>	<u>Difference</u>
2004	\$ 43,260.00	\$ 33,504.12	\$ 9,755.88
2005	43,260.00	34,006.69	9,253.31
2006	43,260.00	35,851.25	7,408.75
2007	43,910.10	49,089.69	(5,179.59)
Total			21,238.35
Back Pay Paid			34,990.83
Overpayment			<u>\$ 13,752.48</u>

TOWN OF PRINCE'S LAKES
EXAMINATION RESULTS AND COMMENTS
(Continued)

The situation was discussed with Deborah S. Workman, Clerk-Treasurer, on December 9, 2008. She agreed to reduce the biweekly salary approved for 2009 by \$528.98 for the first biweekly pay and \$528.94 for the remaining 25 biweekly pays in 2009 in order to repay the above overpayment.

Indiana Code 36-5-3-2 states in part:

"(b) The town legislative body shall, by ordinance, fix the compensation of its own members, the town clerk-treasurer and the town marshal. The legislative body shall provide reasonable compensation for other town officers and employees.

(c) The compensation of an elected town officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year."

OVERDRAWN CASH BALANCES

The cash balances of the Park and Recreation and Payroll Funds were overdrawn in 2007.

The cash 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)

TOWN OF PRINCE'S LAKES
EXIT CONFERENCE

The contents of this report were discussed on December 17, 2008, with Deborah S. Workman, Clerk-Treasurer.