

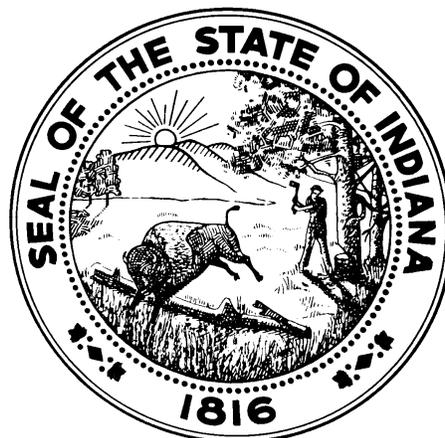
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2008

CITY OF PRINCETON

GIBSON COUNTY, INDIANA



**FILED**  
07/31/2009



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards .....	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis .....	7
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds .....	8
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	9
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds .....	10
Notes to Financial Statements .....	11-22
Required Supplementary Information:	
Schedules of Funding Progress .....	23
Schedule of Contributions From the Employer and Other Contributing Entities .....	24
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	25-27
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Funds .....	28
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds.....	29
Schedule of Capital Assets.....	30
Schedule of Long-Term Debt .....	31
Audit Results and Comments:	
Appropriations.....	32
Ordinances and Resolutions .....	32
Overdrawn Fund Balances .....	32
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	34-35
Schedule of Expenditures of Federal Awards .....	36
Note to Schedule of Expenditures of Federal Awards.....	37
Schedule of Findings and Questioned Costs .....	38
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings .....	39
Exit Conference.....	40
Official Response .....	41

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jayne Deckard	01-01-08 to 12-31-11
Mayor	Robert J. Hurst	01-01-08 to 12-31-11
President of the Common Council	Katherine Cowling	01-01-08 to 12-31-09
Superintendent of Water Distribution	J.B. Brines	01-01-08 to 12-31-09
Superintendent of Water Treatment	Dennis Gray	01-01-08 to 12-31-09
Superintendent of Wastewater Utility	Charles Woodruff	01-01-08 to 12-31-09



**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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Princeton (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated June 3, 2009, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedules of Funding Progress, Schedules of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 3, 2009



**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](http://www.in.gov/sboa)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Princeton (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 3, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, the Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 3, 2009

CITY OF PRINCETON  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 752,609	\$ 245,737	\$ 123,049	\$ 26,585	\$ (357,238)	\$ -	\$ (357,238)
Public safety	1,660,890	5,132	-	-	(1,655,758)	-	(1,655,758)
Highways and streets	784,965	6,523	312,745	-	(465,697)	-	(465,697)
Sanitation	571,050	227,607	-	-	(343,443)	-	(343,443)
Health and welfare	250,430	-	-	-	(250,430)	-	(250,430)
Culture and recreation	604,798	122,251	-	-	(482,547)	-	(482,547)
Urban redevelopment & housing	293,058	-	9,170	248,972	(34,916)	-	(34,916)
Debt service	99,187	-	-	-	(99,187)	-	(99,187)
Total governmental activities	<u>5,016,987</u>	<u>607,250</u>	<u>444,964</u>	<u>275,557</u>	<u>(3,689,216)</u>	<u>-</u>	<u>(3,689,216)</u>
Business-type activities:							
Water	2,337,717	1,622,456	-	320,000	-	(395,261)	(395,261)
Wastewater	<u>2,200,584</u>	<u>1,901,774</u>	<u>-</u>	<u>311,593</u>	<u>-</u>	<u>12,783</u>	<u>12,783</u>
Total business-type activities	<u>4,538,301</u>	<u>3,524,230</u>	<u>-</u>	<u>631,593</u>	<u>-</u>	<u>(382,478)</u>	<u>(382,478)</u>
Total primary government	<u>\$ 9,555,288</u>	<u>\$ 4,131,480</u>	<u>\$ 444,964</u>	<u>\$ 907,150</u>	<u>(3,689,216)</u>	<u>(382,478)</u>	<u>(4,071,694)</u>
General receipts:							
Property taxes					2,249,365	-	2,249,365
Other local sources					941,739	-	941,739
Bond anticipation notes					-	600,000	600,000
Unrestricted investment earnings					<u>116,676</u>	<u>38,235</u>	<u>154,911</u>
Total general receipts					<u>3,307,780</u>	<u>638,235</u>	<u>3,946,015</u>
Change in net assets					(381,436)	255,757	(125,679)
Net assets - beginning					<u>5,117,102</u>	<u>2,501,011</u>	<u>7,618,113</u>
Net assets - ending					<u>\$ 4,735,666</u>	<u>\$ 2,756,768</u>	<u>\$ 7,492,434</u>
<u>Assets</u>							
Cash and investments					\$ 1,477,958	\$ 1,337,981	\$ 2,815,939
Restricted assets:							
Cash and investments					<u>3,257,708</u>	<u>1,418,787</u>	<u>4,676,495</u>
Total assets					<u>\$ 4,735,666</u>	<u>\$ 2,756,768</u>	<u>\$ 7,492,434</u>
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 44,894	\$ -	\$ 44,894
Culture and recreation					365,264	-	365,264
Highways and streets					365,167	-	365,167
Debt service					89,850	824,487	914,337
Other purposes					2,392,533	594,300	2,986,833
Unrestricted					<u>1,477,958</u>	<u>1,337,981</u>	<u>2,815,939</u>
Total net assets					<u>\$ 4,735,666</u>	<u>\$ 2,756,768</u>	<u>\$ 7,492,434</u>

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

CITY OF PRINCETON  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2008

	General	Motor Vehicle Highway	Park and Recreation	Economic Development Income Tax	Other Governmental Funds	Totals
<b>Receipts:</b>						
Taxes	\$ 1,528,047	\$ 144,171	\$ 252,531	\$ -	\$ 324,615	\$ 2,249,364
Licenses and permits	-	-	-	-	7,256	7,256
Intergovernmental	180,433	294,865	31,933	618,901	444,452	1,570,584
Charges for services	354,038	6,522	122,251	-	5,132	487,943
Fines and forfeits	50	-	-	-	-	50
Other	160,893	320	16,255	77,448	65,438	320,354
<b>Total receipts</b>	<b>2,223,461</b>	<b>445,878</b>	<b>422,970</b>	<b>696,349</b>	<b>846,893</b>	<b>4,635,551</b>
<b>Disbursements:</b>						
General government	686,692	-	-	25,814	40,103	752,609
Public safety	1,465,319	-	-	-	195,571	1,660,890
Highways and streets	-	557,438	-	122,274	105,253	784,965
Sanitation	561,050	-	-	10,000	-	571,050
Health and welfare	-	-	-	250,430	-	250,430
Culture and recreation	-	-	376,562	169,999	58,237	604,798
Urban redevelopment and housing	4,500	-	-	-	288,558	293,058
Debt service:						
Principal	-	-	-	-	90,000	90,000
Interest	-	-	-	-	9,187	9,187
<b>Total disbursements</b>	<b>2,717,561</b>	<b>557,438</b>	<b>376,562</b>	<b>578,517</b>	<b>786,909</b>	<b>5,016,987</b>
Excess (deficiency) of receipts over disbursements	(494,100)	(111,560)	46,408	117,832	59,984	(381,436)
Cash and investment fund balance - beginning	1,397,777	456,258	318,856	2,258,375	685,836	5,117,102
Cash and investment fund balance - ending	<u>\$ 903,677</u>	<u>\$ 344,698</u>	<u>\$ 365,264</u>	<u>\$ 2,376,207</u>	<u>\$ 745,820</u>	<u>\$ 4,735,666</u>
<b><u>Cash and Investment Assets - December 31</u></b>						
Cash and investments	\$ 903,677	\$ -	\$ -	\$ -	\$ 574,281	\$ 1,477,958
Restricted assets:						
Cash and investments	-	344,698	365,264	2,376,207	171,539	3,257,708
<b>Total cash and investment assets - December 31</b>	<b><u>\$ 903,677</u></b>	<b><u>\$ 344,698</u></b>	<b><u>\$ 365,264</u></b>	<b><u>\$ 2,376,207</u></b>	<b><u>\$ 745,820</u></b>	<b><u>\$ 4,735,666</u></b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 44,894	\$ 44,894
Culture and recreation	-	-	365,264	-	-	365,264
Highways and streets	-	344,698	-	-	20,469	365,167
Debt service	-	-	-	-	89,850	89,850
Other purposes	-	-	-	2,376,207	16,326	2,392,533
Unrestricted	903,677	-	-	-	574,281	1,477,958
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 903,677</u></b>	<b><u>\$ 344,698</u></b>	<b><u>\$ 365,264</u></b>	<b><u>\$ 2,376,207</u></b>	<b><u>\$ 745,820</u></b>	<b><u>\$ 4,735,666</u></b>

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

CITY OF PRINCETON  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2008

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Unmetered water receipts	\$ 3,343	\$ -	\$ 3,343
Metered water receipts	1,532,481	-	1,532,481
Fire protection receipts	3,765	-	3,765
Penalties	7,218	31,130	38,348
Other water receipts	26,900	-	26,900
Measured revenue	-	1,768,337	1,768,337
Insurance proceeds	1,884	-	1,884
Other	1,716	96,007	97,723
	<u>1,577,307</u>	<u>1,895,474</u>	<u>3,472,781</u>
Total operating receipts			
Operating disbursements:			
Water treatment disbursements - operations and maintenance	261,243	-	261,243
Transmission and distribution	405,081	-	405,081
Collection system - operations and maintenance	-	305,866	305,866
Pumping - operations and maintenance	38,776	160,395	199,171
Treatment and disposal disbursements - operations and maintenance	-	594,061	594,061
Customer accounts	286,649	16,221	302,870
Administration and general	394,213	573,829	968,042
Rents	12,000	12,450	24,450
Miscellaneous disbursements	9,325	183	9,508
Capital improvements	457,778	317,893	775,671
	<u>1,865,065</u>	<u>1,980,898</u>	<u>3,845,963</u>
Total operating disbursements			
Deficiency of operating receipts over operating disbursements	<u>(287,758)</u>	<u>(85,424)</u>	<u>(373,182)</u>
Nonoperating receipts (disbursements):			
Bond anticipation notes	600,000	-	600,000
Interest receipts	7,123	31,112	38,235
Customer deposits	45,149	-	45,149
Miscellaneous receipts	-	6,300	6,300
Debt service of principal	(225,000)	(165,000)	(390,000)
Interest and paying agent fees	(144,971)	(54,686)	(199,657)
Bond issuance costs	(66,301)	-	(66,301)
Miscellaneous disbursements	(36,380)	-	(36,380)
	<u>179,620</u>	<u>(182,274)</u>	<u>(2,654)</u>
Total nonoperating receipts (disbursements)			
Excess of receipts over disbursements and nonoperating receipts (disbursements)	(108,138)	(267,698)	(375,836)
Capital contributions	<u>320,000</u>	<u>311,593</u>	<u>631,593</u>
Excess (deficiency) of receipts, contributions over disbursements	211,862	43,895	255,757
Cash and investment fund balance - beginning	<u>844,135</u>	<u>1,656,876</u>	<u>2,501,011</u>
Cash and investment fund balance - ending	<u>\$ 1,055,997</u>	<u>\$ 1,700,771</u>	<u>\$ 2,756,768</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ (36,799)	\$ 1,374,780	\$ 1,337,981
Restricted assets:			
Cash and investments	<u>1,092,796</u>	<u>325,991</u>	<u>1,418,787</u>
Total cash and investment assets - December 31	<u>\$ 1,055,997</u>	<u>\$ 1,700,771</u>	<u>\$ 2,756,768</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 498,496	\$ 325,991	\$ 824,487
Other purposes	594,300	-	594,300
Unrestricted	<u>(36,799)</u>	<u>1,374,780</u>	<u>1,337,981</u>
Total cash and investment fund balance - December 31	<u>\$ 1,055,997</u>	<u>\$ 1,700,771</u>	<u>\$ 2,756,768</u>

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

CITY OF PRINCETON  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2008

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Additions:		
Contributions:		
Employer	\$ 98,984	\$ -
Plan members	<u>369,860</u>	<u>-</u>
Total contributions	<u>468,844</u>	<u>-</u>
Investment earnings:		
Interest	19,322	-
Agency fund additions	<u>-</u>	<u>4,115,119</u>
Total additions	<u>488,166</u>	<u>4,115,119</u>
Deductions:		
Benefits	425,544	-
Refunds of contributions	459	-
Administrative and general	2,999	-
Agency fund deductions	<u>-</u>	<u>4,052,525</u>
Total deductions	<u>429,002</u>	<u>4,052,525</u>
Excess of total additions over total deductions	59,164	62,594
Cash and investment fund balance - beginning	<u>1,069,015</u>	<u>118,562</u>
Cash and investment fund balance - ending	<u><u>\$ 1,128,179</u></u>	<u><u>\$ 181,156</u></u>

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

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: public safety (police), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government: City of Princeton

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund accounts primarily for use of the allocation received from the State of Indiana to be used for construction, repair and maintenance of the City's streets.

The parks and recreation fund accounts for all expenditures for the City operated park facilities. Funding is provided from a property tax levy and fees charged for use of the City park facilities.

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The economic development income tax fund accounts for expenditures related to economic development projects or capital projects adopted through the economic development plan. Funding is provided by the City's distribution from the county economic development income tax distribution.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the City reports the following fund types:

The pension trust funds account for the activities of the 1925 police officers' and 1937 fire-fighters' pension funds, which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for the City employees and related taxing units or agencies for which withholdings have been accumulated and serve as control of accounts for certain transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government and its water and wastewater utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in 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.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- 2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
- 3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

CITY OF PRINCETON  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2008, disbursements exceeded budgeted appropriations in the following fund by the amount below:

Fund	2008
Fire Truck Fund	\$ <u>32,138</u>

These disbursements were funded by available fund balance in the general fund.

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Cash and Investment Balance Deficits

At December 31, 2008, the following fund reported a deficit in cash and investments, which is a violation of the Uniform Compliance Guidelines and state statute:

Fund	2008
Fire Truck Fund	\$ <u>1,522</u>

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the insufficient appropriation to pay fiscal agent charges from the fund; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The City does not have a deposit policy for custodial credit risk. At December 31, 2008, the City had deposit balances in the amount of \$8,801,769. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

IV. Other Information

A. Risk Management

The City is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk. Risk financing is not utilized for the other risks of loss.

B. Holding Corporation

The City has entered into a capital lease with Princeton Municipal Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year totaled \$183,000.

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Subsequent Events

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

D. Conduit Debt Obligation

From time to time, the City has issued Indiana Economic Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying notes to the financial statements.

As of December 31, 2008, there was one series of Indiana Economic Development Revenue Bonds outstanding with an aggregate principal amount payable of \$2,500,000.

E. Termination Benefits

During the current year, the City offered to retiring employees payment for accumulated sick leave according to the personnel policy. No employees retired during the current year who qualified for the benefit.

F. Loans Receivable – USDA Rural Business Enterprise Grants

The City of Princeton makes low interest loans to local businesses for economic development through the United States Department of Agriculture's Rural Business Enterprise Grant Program. Loans receivable under this program are as follows:

<u>Borrower</u>	<u>Date of Loan</u>	<u>Amount</u>	<u>Rate</u>	<u>Annual Payment</u>	<u>December 31, 2008</u>
Karen's Flowers	09-18-06	\$ 10,000	6.25%	\$ 3,669	\$ 2,681
Princeton Center for the Performing Arts	10-16-07	10,000	6.75%	3,641	8,974
Unity Personal Care Services	04-10-07	10,000	6.25%	3,670	4,960
Gibson County Chiropractic	04-20-08	10,000	3.25%	3,670	7,592

G. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on September 9, 1999. A monthly public fire protection charge was approved and added on September 3, 2008.

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Wastewater Utility

The current rate structure was approved by the City Council on February 19, 2002.

H. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. 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 the 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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which 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 and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which 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 and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 136,836	\$ 113,900	\$ 175,900
Interest on net pension obligation	3,666	13,100	27,800
Adjustment to annual required contribution	<u>(4,178)</u>	<u>(16,200)</u>	<u>(34,600)</u>
Annual pension cost	136,324	110,800	169,100
Contributions made	<u>144,417</u>	<u>271,946</u>	<u>189,372</u>
Decrease in net pension obligation	(8,093)	(161,146)	(20,272)
Net pension obligation, beginning of year	<u>50,567</u>	<u>217,654</u>	<u>463,872</u>
Net pension obligation, end of year	<u><u>\$ 42,474</u></u>	<u><u>\$ 56,508</u></u>	<u><u>\$ 443,600</u></u>
	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Contribution rates:			
City	10.25%	0%	459%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-08	01-01-08	01-01-08
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	30 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

\*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 119,085	73%	\$ 34,421
	06-30-07	125,308	87%	50,567
	06-30-08	136,324	106%	42,474
1925 Police Officers' Pension Plan	12-31-05	195,600	114%	384,234
	12-31-06	125,300	233%	217,654
	12-31-07	110,800	245%	56,508
1937 Firefighters' Pension Plan	12-31-05	197,700	98%	435,878
	12-31-06	198,000	86%	463,872
	12-31-07	169,100	112%	443,600

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2008, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	13	9
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	-	1

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) 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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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 Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2008, 2007, and 2006, were \$132,629, \$191,430, and \$198,890, respectively, equal to the required contributions for each year.

CITY OF PRINCETON  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 1,318,771	\$ 1,982,408	\$ (663,637)	67%	\$ 1,267,464	(52%)
07-01-07	1,489,687	2,145,905	(656,218)	69%	1,413,024	(46%)
07-01-08	1,760,629	2,359,414	(598,785)	75%	1,561,058	(38%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-03	\$ 598,686	\$ 3,401,100	\$ (2,802,414)	18%	\$ 173,500	(1,615%)
01-01-04	612,413	2,642,100	(2,029,687)	23%	105,100	(1,931%)
01-01-05	585,526	2,675,100	(2,089,574)	22%	108,700	(1,922%)
01-01-06	556,724	1,824,900	(1,268,176)	31%	37,300	(3,400%)
01-01-07	542,378	1,571,700	(1,029,322)	35%	-	None
01-01-08	579,453	1,580,000	(1,000,547)	37%	-	None

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-03	\$ 403,191	\$ 2,274,100	\$ (1,870,909)	18%	\$ 69,400	(2,696%)
01-01-04	428,732	2,769,100	(2,340,368)	15%	70,000	(3,343%)
01-01-05	473,453	2,744,800	(2,271,347)	17%	72,400	(3,137%)
01-01-06	469,571	2,714,600	(2,245,029)	17%	74,600	(3,009%)
01-01-07	463,137	2,290,100	(1,826,963)	20%	38,300	(4,770%)
01-01-08	489,562	1,938,100	(1,448,538)	25%	33,700	(4,298%)

CITY OF PRINCETON  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF CONTRIBUTIONS FROM THE  
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan				
	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
			1925 Police Officers' Pension Plan	12-31-03
	12-31-04	325,500	20%	49%
	12-31-05	200,800	32%	68%
	12-31-06	130,500	101%	124%
	12-31-07	113,900	41%	202%
	12-31-08	116,200	33%	188%

1937 Firefighters' Pension Plan				
	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
			1937 Firefighters' Pension Plan	12-31-03
	12-31-04	332,600	18%	40%
	12-31-05	203,200	30%	45%
	12-31-06	203,900	31%	54%
	12-31-07	175,900	22%	88%
	12-31-08	151,000	34%	107%

CITY OF PRINCETON  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008

	Local Road and Streets	Local Law Enforcement Continuing Education	Planning Commission	Building Demolition	Federal Seizure	Police Narcotics
Receipts:						
Taxes	\$ -	\$ -	\$ 36,043	\$ 23,566	\$ -	\$ -
Licenses and permits	-	-	7,256	-	-	-
Intergovernmental	33,244	-	3,666	2,398	-	-
Charges for services	-	5,132	-	-	-	-
Other	-	-	15	-	-	-
<b>Total receipts</b>	<b>33,244</b>	<b>5,132</b>	<b>46,980</b>	<b>25,964</b>	<b>-</b>	<b>-</b>
Disbursements:						
General government	-	-	37,681	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	30,253	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	8,676	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Total disbursements</b>	<b>30,253</b>	<b>-</b>	<b>37,681</b>	<b>8,676</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	2,991	5,132	9,299	17,288	-	-
Cash and investment fund balance - beginning	17,478	17,008	26,959	116,576	19,170	2,196
Cash and investment fund balance - ending	<u>\$ 20,469</u>	<u>\$ 22,140</u>	<u>\$ 36,258</u>	<u>\$ 133,864</u>	<u>\$ 19,170</u>	<u>\$ 2,196</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ 36,258	\$ 133,864	\$ -	\$ -
Restricted assets:						
Cash and investments	20,469	22,140	-	-	19,170	2,196
<b>Total cash and investment assets - December 31</b>	<b>\$ 20,469</b>	<b>\$ 22,140</b>	<b>\$ 36,258</b>	<b>\$ 133,864</b>	<b>\$ 19,170</b>	<b>\$ 2,196</b>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Public safety	\$ -	\$ 22,140	\$ -	\$ -	\$ 19,170	\$ 2,196
Highways and streets	20,469	-	-	-	-	-
Debt service	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Unrestricted	-	-	36,258	133,864	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 20,469</b>	<b>\$ 22,140</b>	<b>\$ 36,258</b>	<b>\$ 133,864</b>	<b>\$ 19,170</b>	<b>\$ 2,196</b>

CITY OF PRINCETON  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008  
 (Continued)

	Donation	Police K-9	USDA Redevelopment Grant	GCARC Federal Grant	Rainy Day
<b>Receipts:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	9,170	248,972	93,149
Charges for services	-	-	-	-	-
Other	54,745	-	10,575	-	-
	<u>54,745</u>	<u>-</u>	<u>19,745</u>	<u>248,972</u>	<u>93,149</u>
<b>Total receipts</b>	<b>54,745</b>	<b>-</b>	<b>19,745</b>	<b>248,972</b>	<b>93,149</b>
<b>Disbursements:</b>					
General government	2,422	-	-	-	-
Public safety	12,571	-	-	-	-
Highways and streets	-	-	-	-	-
Culture and recreation	8,237	-	-	-	50,000
Urban redevelopment and housing	21,817	-	10,000	248,065	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total disbursements</b>	<b>45,047</b>	<b>-</b>	<b>10,000</b>	<b>248,065</b>	<b>50,000</b>
Excess (deficiency) of receipts over disbursements	9,698	-	9,745	907	43,149
Cash and investment fund balance - beginning	6,901	1,388	5,674	-	227,569
Cash and investment fund balance - ending	<u>\$ 16,599</u>	<u>\$ 1,388</u>	<u>\$ 15,419</u>	<u>\$ 907</u>	<u>\$ 270,718</u>
<b><u>Cash and Investment Assets - December 31</u></b>					
Cash and investments	\$ 16,599	\$ -	\$ -	\$ -	\$ 270,718
Restricted assets:					
Cash and investments	-	1,388	15,419	907	-
	<u>-</u>	<u>1,388</u>	<u>15,419</u>	<u>907</u>	<u>-</u>
<b>Total cash and investment assets - December 31</b>	<b>\$ 16,599</b>	<b>\$ 1,388</b>	<b>\$ 15,419</b>	<b>\$ 907</b>	<b>\$ 270,718</b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>					
Restricted for:					
Public safety	\$ -	\$ 1,388	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-
Debt service	-	-	-	-	-
Other purposes	-	-	15,419	907	-
Unrestricted	16,599	-	-	-	270,718
	<u>16,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,718</u>
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 16,599</b>	<b>\$ 1,388</b>	<b>\$ 15,419</b>	<b>\$ 907</b>	<b>\$ 270,718</b>

CITY OF PRINCETON  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008  
 (Continued)

	Fire Station	Fire Truck	Cumulative Capital Improvement	Cumulative Capital Development	Totals
<b>Receipts:</b>					
Taxes	\$ 146,250	\$ 60,764	\$ -	\$ 57,992	\$ 324,615
Licenses and permits	-	-	-	-	7,256
Intergovernmental	14,877	6,181	26,897	5,898	444,452
Charges for services	-	-	-	-	5,132
Other	-	-	-	103	65,438
<b>Total receipts</b>	<b>161,127</b>	<b>66,945</b>	<b>26,897</b>	<b>63,993</b>	<b>846,893</b>
<b>Disbursements:</b>					
General government	-	-	-	-	40,103
Public safety	183,000	-	-	-	195,571
Highways and streets	-	-	-	75,000	105,253
Culture and recreation	-	-	-	-	58,237
Urban redevelopment and housing	-	-	-	-	288,558
<b>Debt service:</b>					
Principal	-	90,000	-	-	90,000
Interest	-	9,187	-	-	9,187
<b>Total disbursements</b>	<b>183,000</b>	<b>99,187</b>	<b>-</b>	<b>75,000</b>	<b>786,909</b>
Excess (deficiency) of receipts over disbursements	(21,873)	(32,242)	26,897	(11,007)	59,984
Cash and investment fund balance - beginning	113,245	30,720	69,331	31,621	685,836
Cash and investment fund balance - ending	<u>\$ 91,372</u>	<u>\$ (1,522)</u>	<u>\$ 96,228</u>	<u>\$ 20,614</u>	<u>\$ 745,820</u>
<b><u>Cash and Investment Assets - December 31</u></b>					
Cash and investments	\$ -	\$ -	\$ 96,228	\$ 20,614	\$ 574,281
<b>Restricted assets:</b>					
Cash and investments	91,372	(1,522)	-	-	171,539
<b>Total cash and investment assets - December 31</b>	<b><u>\$ 91,372</u></b>	<b><u>\$ (1,522)</u></b>	<b><u>\$ 96,228</u></b>	<b><u>\$ 20,614</u></b>	<b><u>\$ 745,820</u></b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>					
<b>Restricted for:</b>					
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 44,894
Highways and streets	-	-	-	-	20,469
Debt service	91,372	(1,522)	-	-	89,850
Other purposes	-	-	-	-	16,326
Unrestricted	-	-	96,228	20,614	574,281
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 91,372</u></b>	<b><u>\$ (1,522)</u></b>	<b><u>\$ 96,228</u></b>	<b><u>\$ 20,614</u></b>	<b><u>\$ 745,820</u></b>

CITY OF PRINCETON  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PENSION TRUST FUNDS  
 For The Year Ended December 31, 2008

	<u>Fire Pension</u>	<u>Police Pension</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 56,220	\$ 42,764	\$ 98,984
State	<u>155,720</u>	<u>214,140</u>	<u>369,860</u>
Total contributions	<u>211,940</u>	<u>256,904</u>	<u>468,844</u>
Investment receipts:			
Interest	<u>9,669</u>	<u>9,653</u>	<u>19,322</u>
Total additions	<u>221,609</u>	<u>266,557</u>	<u>488,166</u>
Deductions:			
Benefits	176,224	249,320	425,544
Refunds of contributions	-	459	459
Administrative and general	<u>1,125</u>	<u>1,874</u>	<u>2,999</u>
Total deductions	<u>177,349</u>	<u>251,653</u>	<u>429,002</u>
Excess of total additions over total deductions	44,260	14,904	59,164
Cash and investment fund balance - beginning	<u>489,562</u>	<u>579,453</u>	<u>1,069,015</u>
Cash and investment fund balance - ending	<u>\$ 533,822</u>	<u>\$ 594,357</u>	<u>\$ 1,128,179</u>

CITY OF PRINCETON  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2008

	<u>Insurance Trust</u>	<u>Excess Levy</u>	<u>Payroll</u>	<u>Total</u>
Additions:				
Agency fund additions	\$ 829,919	\$ -	\$ 3,285,200	\$ 4,115,119
Deductions:				
Agency fund deductions	<u>814,960</u>	<u>49,165</u>	<u>3,188,400</u>	<u>4,052,525</u>
Excess (deficiency) of total additions over total deductions	14,959	(49,165)	96,800	62,594
Cash and investment fund balance - beginning	<u>31,628</u>	<u>49,165</u>	<u>37,769</u>	<u>118,562</u>
Cash and investment fund balance - ending	<u>\$ 46,587</u>	<u>\$ -</u>	<u>\$ 134,569</u>	<u>\$ 181,156</u>

CITY OF PRINCETON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2008

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets completed in the current and prior years have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 127,997
Infrastructure	1,594,174
Buildings	1,559,111
Improvements other than buildings	568,088
Machinery and equipment	2,508,249
Construction in progress	<u>1,618,862</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 7,976,481</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 147,450
Buildings	1,943,684
Improvements other than buildings	4,022,357
Machinery and equipment	<u>312,169</u>
 Total Water Utility capital assets	 <u>6,425,660</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	765,500
Buildings	4,696,650
Improvements other than buildings	18,621,092
Machinery and equipment	<u>3,410,062</u>
 Total Wastewater Utility capital assets	 <u>27,493,304</u>
 Total business-type activities capital assets	 <u>\$ 33,918,964</u>

CITY OF PRINCETON  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
December 31, 2008

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	\$ 56,574	\$ 30,374
Sanitation Truck	73,013	26,602
Police Vehicles	47,857	26,012
Fire Station	335,000	180,000
Sewer Lease paid from EDIT	1,605,000	210,000
Bonds payable:		
General obligation bonds:		
Fire Truck	<u>65,000</u>	<u>31,463</u>
Total governmental activities debt	<u>\$ 2,182,444</u>	<u>\$ 504,451</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
2002 Waterworks Refunding Bonds	\$ 620,000	\$ 167,783
2005 Waterworks Refunding Bonds	2,975,000	202,002
Bond Anticipation Notes	<u>600,000</u>	<u>629,918</u>
Total Water Utility	<u>4,195,000</u>	<u>999,703</u>
Wastewater Utility		
Revenue bonds:		
2003 Wastewater Refunding Bonds	<u>1,215,000</u>	<u>217,803</u>
Total business-type activities debt	<u>\$ 5,410,000</u>	<u>\$ 1,217,506</u>

CITY OF PRINCETON  
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS (Applies to City)

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

<u>Fund</u>	<u>Excess Amount Expended</u>
Fire Truck	<u>\$ 32,138</u>

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."

ORDINANCES AND RESOLUTIONS (Applies to Water Utility)

The City has an ordinance concerning billing of private hydrant rental. However, the City did not bill or collect for the 2008 period.

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)

OVERDRAWN FUND BALANCES (Applies to City and Water Utility)

The Water Operating Fund, the Boshoku IEDC Water Grant Fund, and Fire Truck Fund were overdrawn at the end of 2008 in the amounts of \$47,144, \$6,684, and \$1,522, 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)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**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 AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Princeton (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2008. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, the Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 3, 2009

CITY OF PRINCETON  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended December 31, 2008

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct Grant:			
Rural Business Enterprise Grant	10.769		\$ <u>9,170</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass Through Indiana Office of Community and Rural Affairs			
Community Development Block Grants/State's Program	14.228		
Community Economic Development Fund			
Toyota Boshoku Sewer Project		ID-07-001	311,593
Community Focus Fund			
GCARC Building Grant		CF-07-113	<u>248,065</u>
Total for federal grantor agency			<u>559,658</u>
Total federal awards expended			<u>\$ <u>568,828</u></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

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Princeton (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF PRINCETON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
 Material weaknesses identified? no  
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:  
 Material weaknesses identified? no  
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF PRINCETON  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF PRINCETON  
EXIT CONFERENCE

The contents of this report were discussed on June 3, 2009, with Robert J. Hurst, Mayor; and Jayne Deckard, Clerk-Treasurer. The official response has been made a part of this report and may be found on page 41.

# City of Princeton

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

## CITY OF PRINCETON RESPONSE TO AUDIT RESULTS AND COMMENTS

**APPROPRIATIONS:** The Fire Truck Bond payment was due 1/15/09 and I did pay it 12/31/08 after receiving the tax money.

**ORDINANCES AND RESOLUTIONS:** In November 2008 the City of Princeton stopped paying the fire hydrant rental fees from tax monies and the fees were placed on each residents monthly water bill. The City Attorney stated that if we billed them on their monthly bill we should not bill them an annual hydrant fee.

### OVERDRAWN FUND BALANCES:

**WATER OPERATING FUND:** This fund is in the red because there has been no increase in water bills for many years. Public hearings, advertisement and paperwork had all been started prior to the end of the year 2008 for a rate increase. Since we are still under the jurisdiction of the IURC this process is taking in excess of a year. Our supposed hearing before the IURC will be in September 2009.

**FIRE TRUCK FUND:** The reason for the overdrawn balance in this fund is that the exact amount needed for the bond and interest payments and paying agents fees were what was placed in the budget and for the last several years the DLGF has adjusted that budget causing insufficient funds.

**BOSHOKU WATER GRANT:** This grant is a reimbursable project grant. Therefore the City must disburse funds and then apply for reimbursement up to 80% of the project cost.

*Robert Hunt*  
Mayor

*Jayne Dechard*  
Clerk-Treasurer