

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, 2008 to December 31, 2009



FILED
12/29/2010

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:	
Overdrawn Fund Balance.....	9
Record Information	9
Exit Conference.....	10
Official Response	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah S. Workman	01-01-08 to 12-31-10
President of the Town Council	Pete Ketchum	01-01-08 to 12-31-09
	Lorri McCall	01-01-10 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF 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, 2008 to December 31, 2009. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 18, 2010

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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 253,769	\$ 297,808	\$ 272,723	\$ 278,854
Motor Vehicle Highway	70,271	182,988	122,095	131,164
Local Road and Street	42,495	22,016	58,000	6,511
Police Donations	100	-	-	100
Park and Recreation	(259)	9,006	8,605	142
Park and Recreation Nonreverting Operating	173	-	-	173
Law Enforcement Continuing Education	7,637	5,952	-	13,589
Community Development Donation Walking Trail	1,190	233	25	1,398
Rainy Day	15,539	12,950	-	28,489
Cilvert Donations	1,817	-	-	1,817
Public Affairs Donation	2,425	-	-	2,425
Unsafe Building Donation	1,184	-	-	1,184
Cumulative Capital Improvement	37,561	4,897	-	42,458
Cumulative Capital Development	31,012	-	-	31,012
Proprietary Funds:				
Water Utility - Operating	538,318	854,936	944,697	448,557
Water Utility - Bond and Interest	59,510	-	-	59,510
Water Utility - Sinking	3,695	8	3,703	-
Water Utility - Depreciation	37,632	-	-	37,632
Water Utility - Customer Deposit	77,680	4,350	3,265	78,765
Water Utility - Improvement	55,000	63,703	-	118,703
Wastewater Utility - Operating	616,978	1,046,565	1,187,778	475,765
Wastewater Utility - Bond and Interest	299,529	433,229	423,346	309,412
Wastewater Utility - Reserve	429,615	-	-	429,615
Wastewater Utility - Depreciation	75,000	180,000	-	255,000
Fiduciary Funds:				
Payroll	(1,135)	164,345	162,128	1,082
Totals	\$ 2,656,736	\$ 3,282,986	\$ 3,186,365	\$ 2,753,357

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 278,854	\$ 234,059	\$ 325,471	\$ 187,442
Motor Vehicle Highway	131,164	154,626	229,866	55,924
Local Road and Street	6,511	20,314	26,603	222
Police Donations	100	2,561	-	2,661
Park and Recreation	142	23,089	10,617	12,614
Park and Recreation Nonreverting Operating	173	-	-	173
Law Enforcement Continuing Education	13,589	398	282	13,705
Community Development Donation Walking Trail	1,398	-	-	1,398
Rainy Day	28,489	11,396	28,237	11,648
Cilvert Donations	1,817	-	-	1,817
Public Affairs Donation	2,425	-	-	2,425
Unsafe Building Donation	1,184	30	-	1,214
Cumulative Capital Improvement	42,458	2,347	-	44,805
Cumulative Capital Development	31,012	19,376	24,795	25,593
Proprietary Funds:				
Water Utility - Operating	448,557	825,398	893,552	380,403
Water Utility - Bond and Interest	59,510	-	-	59,510
Water Utility - Sinking	-	-	-	-
Water Utility - Depreciation	37,632	-	9,709	27,923
Water Utility - Customer Deposit	78,765	4,100	3,135	79,730
Water Utility - Improvement	118,703	60,000	-	178,703
Wastewater Utility - Operating	475,765	946,893	980,277	442,381
Wastewater Utility - Bond and Interest	309,412	393,663	598,158	104,917
Wastewater Utility - Reserve	429,615	-	429,610	5
Wastewater Utility - Depreciation	255,000	182,211	11,458	425,753
Wastewater Utility - SRF Bond and Interest	-	177,816	-	177,816
Wastewater Utility - SRF Debt Service Reserve	-	426,759	-	426,759
Wastewater Utility - SRF ARRA Funding	-	238,918	238,918	-
Fiduciary Fund:				
Payroll	1,082	160,867	162,330	(381)
Totals	\$ 2,753,357	\$ 3,884,821	\$ 3,973,018	\$ 2,665,160

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, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. 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; however, the December 2009 distribution totaling \$93,481 was not receipted until 2010.

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. Subsequent Event

The Town has entered into engineering and construction contracts to renovate its wastewater plant in 2010. These renovations are being financed with a State Revolving Fund (SRF) Loan and another federal grant from the Indiana Office of Community and Rural Affairs. The \$10,141,452 SRF loan is from federal stimulus funds which will be forgiven in five years.

The Town purchased a new financial software package which it implemented in 2010. The software is not performing to the Town's expectations and the financial records have not been balanced with bank accounts since December 31, 2009. The contract had a provision that the Town would receive unlimited support for one year. The software vendor has not provided support for the recordkeeping according to the Town's expectations and understanding of the contract and the Town has taken legal action against the vendor.

The Town entered into a lease to purchase a police vehicle on August 24, 2010. The principal amount is \$26,137 with \$6,000 paid upon acceptance of the lease and three annual payments thereafter of \$7,659 beginning in 2011.

TOWN OF PRINCE'S LAKES
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 38,329
Buildings	168,093
Improvements other than buildings	82,659
Machinery and equipment	<u>322,729</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 611,810</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>959,993</u>
 Total Water Utility capital assets	 <u>17,719,463</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>309,977</u>
 Total Wastewater Utility capital assets	 <u>7,793,431</u>
 Total business-type activities capital assets	 <u>\$ 25,512,894</u>

TOWN OF PRINCE'S LAKES
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Copier	\$ 7,910	\$ 3,384
F-350 Pickup	6,946	7,432
Contract payable:		
Park fence	<u>5,337</u>	<u>5,337</u>
Total governmental activities debt	<u>\$ 20,193</u>	<u>\$ 16,153</u>
Business-type activities:		
Water Utility:		
Capital leases:		
Water Meter and Meter Reading Equipment (75%)	<u>\$ 219,200</u>	<u>\$ 27,907</u>
Wastewater Utility:		
Capital leases:		
Water Meter and Meter Reading Equipment (25%)	73,067	9,302
State revolving fund loans:		
1998 improvements	<u>6,042,560</u>	<u>423,032</u>
Total Wastewater Utility	<u>6,115,627</u>	<u>432,334</u>
Total business-type activities debt	<u>\$ 6,334,827</u>	<u>\$ 460,241</u>

TOWN OF PRINCE'S LAKES
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCE

The Payroll Fund was overdrawn \$381.37 at December 31, 2009.

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)

RECORD INFORMATION

The balance in the payroll fund did not agree with the amount of payroll withholdings that were unpaid as of December 31, 2009. This has been an ongoing situation since 2002.

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

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

TOWN OF PRINCE'S LAKES
EXIT CONFERENCE

The contents of this report were discussed on October 18, 2010, with Deborah S. Workman, Clerk-Treasurer; Lorri McCall, President of the Town Council; and Layman J Boyd, Town Council member. The official response has been made a part of this report and may be found on page 11.



"Everybody should have a place to go fishin"

Wednesday October 28, 2010

To: State Board of Accounts

From: Debbie Workman
Clerk Treasurer
Town of Princes Lakes

I want to address a statement in our audit report regarding our software issue. The system we switched to in Jan. of 2010 has not worked for our town. We have had serious problems with it and since around March of 2010 we have been addressing Council about the problems. As of the Oct. 18th. 2010 meeting the council voted to switch back to our previous software company. How ever we have to have our town attorney look over the contract before we can go back on the old software. So this being the end of Oct. I don't think we will get back on Komputrol until the middle of Nov. But at least that is a start. I am looking forward to getting straightened around again.

The comment on our outstanding warrants, we were not able to remove by March 1st. because we were implementing a new software system and were not at a point to do that within the time frame allowed. We have now corrected the issue.

The payroll issue is one that we are addressing and since it has carried forward from 2002. We have talked with Komputrol and at this time we are opening a separate payroll acct. so all payroll funds will go in and out instead of going thru the Town acct. That way we can double check all of our balances. Komputrol stated that is the way it should have been set up originally but when I came into office in 2004 I just followed thru with the process that had been used in the past. Not knowing the software I assumed it was correct.

I appreciate the time and effort the State Board of Accts. provides in helping us keep our books straight and the knowledge they provide.

Debbie Workman
Clerk Treasurer

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