

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF PRINCE'S LAKES
JOHNSON COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
07/06/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah S. Workman (Vacant) Karen I. Harrison	01-01-08 to 05-31-11 06-01-11 to 06-05-11 06-06-11 to 12-31-15
President of the Town Council	Lorri McCall Charlie Bourne	01-01-10 to 12-31-11 01-01-12 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF PRINCE'S LAKES, JOHNSON COUNTY, INDIANA

We have audited the accompanying financial statements of the Town of Prince's Lakes (Town), for the years ended December 31, 2010 and 2011. These financial statements are the responsibility of the Town'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over reporting. Accordingly, we express no such opinion. 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 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 14, 2012, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the Town's 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 Management and Budget Circular A-133, Audits of States, Local

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

Our audit was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.

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

This report is intended solely for the information and use of the Town's management, Town Council, 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 14, 2012



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AN EQUAL OPPORTUNITY EMPLOYER

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302 WEST WASHINGTON STREET
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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 TOWN OF PRINCE'S LAKES, JOHNSON COUNTY, INDIANA

We have audited the financial statements of the Town of Prince's Lakes (Town), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated June 14, 2012. 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 Town'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 Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of the Town's management, Town Council, 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 14, 2012

FINANCIAL STATEMENTS

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

TOWN OF PRINCE'S LAKE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 187,442	\$ 400,203	\$ 405,116	\$ 182,529
Motor Vehicle Highway	55,924	242,816	205,640	93,100
Local Road And Street	222	21,731	18,707	3,246
Law Enforcement Continuing Education	13,705	3,393	790	16,308
Unsafe Building	1,214	-	30	1,184
Rainy Day	11,648	1,371	-	13,019
Cumulative Capital Improvement Cigarette Tax	44,805	4,410	4,369	44,846
Cumulative Capital Development	25,593	38,247	22,000	41,840
Nonreverting Park	173	-	-	173
Police Donation	2,661	101	-	2,762
Park And Recreation	12,614	24,504	22,577	14,541
CDC-Walking Trail	1,398	-	-	1,398
Public Affairs/ Town Donation	2,425	-	-	2,425
Culvert Refund	1,817	-	-	1,817
K-9	-	2,689	2,688	1
Payroll	(381)	692,497	692,116	-
Sewage Utility Operating	442,413	2,744,402	2,640,950	545,865
Wastewater Depreciation	425,753	165,000	-	590,753
Wastewater Utility P&I Sinking	104,917	36,181	70,040	71,058
Wastewater Debt Service Reserve	5	10	15	-
Wastewater Utility - SRF Bond and Interest	177,816	496,770	308,929	365,657
Wastewater Utility - SRF Debt Service Reserve	426,759	2	-	426,761
Wastewater Utility - SRF ARRA 2009 BAN	-	509,082	509,082	-
Wastewater Utility - SRF ARRA 2010 BAN I	-	4,266,636	4,266,636	-
Wastewater Utility - SRF ARRA 2010 BAN II	-	2,784,812	2,784,812	-
Water Utility-Operating	380,403	821,738	776,855	425,286
Water Utility-Bond And Interest	59,510	-	-	59,510
Water Utility Depreciation	27,923	55,000	-	82,923
Water Utility Meter Deposit	79,730	5,750	3,865	81,615
Water Department Improvement	178,703	5,000	-	183,703
Totals	<u>\$ 2,665,192</u>	<u>\$ 13,322,345</u>	<u>\$ 12,735,217</u>	<u>\$ 3,252,320</u>

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

TOWN OF PRINCE'S LAKES
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 182,529	\$ 513,791	\$ 611,224	\$ 85,096
Motor Vehicle Highway	93,100	151,716	229,582	15,234
Local Road and Street	3,246	20,315	18,636	4,925
Law Enforcement Continuing Education	16,308	2,729	1,579	17,458
Unsafe Building	1,184	-	-	1,184
Rainy Day	13,019	-	-	13,019
Cumulative Capital Improvement Cigarette Tax	44,846	4,325	3,568	45,603
Cumulative Capital Development	41,840	27,918	23,323	46,435
Grant Monies	-	1,199,836	1,199,836	-
Nonreverting Park	173	-	-	173
Police Donation	2,762	141	194	2,709
Park and Recreation	14,541	3,853	10,374	8,020
CDC-Walking Trail	1,398	8	-	1,406
Public Affairs/ Town Donation	2,425	-	-	2,425
Culvert Refund	1,817	-	-	1,817
K-9	1	534	-	535
Payroll	-	640,603	638,357	2,246
Sewage Utility Operating	545,865	1,711,729	2,092,781	164,813
Wastewater Depreciation	590,753	24,437	22,016	593,174
Wastewater Utility P&I Sinking	71,058	107	-	71,165
Wastewater Utility - SRF Bond and Interest	365,657	540,864	536,991	369,530
Wastewater Utility - SRF Debt Service Reserve	426,761	1	-	426,762
Wastewater Utility - SRF ARRA 2009 BAN	-	-	-	-
Wastewater Utility - SRF ARRA 2010 BAN I	-	820,832	820,832	-
Wastewater Utility - SRF ARRA 2010 BAN II	-	466,527	466,527	-
Water Utility-Operating	425,286	849,343	815,027	459,602
Water Utility-Bond and Interest	59,510	-	-	59,510
Water Utility Depreciation	82,923	60,000	-	142,923
Water Utility Meter Deposit	81,615	3,500	3,515	81,600
Water Department Improvement	183,703	-	-	183,703
Totals	<u>\$ 3,252,320</u>	<u>\$ 7,043,109</u>	<u>\$ 7,494,362</u>	<u>\$ 2,801,067</u>

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

TOWN OF PRINCE'S LAKES
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, and wastewater.

The accompanying financial statements present the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts include the following sources:

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

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

TOWN OF PRINCES LAKES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

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

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

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

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

TOWN OF PRINCES LAKES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

TOWN OF PRINCES LAKES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 4. *Deposits and Investments*

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

State statutes authorize the 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.

Note 5. *Risk Management*

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

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement any replacement items purchased.

Note 6. *Pension Plan*

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

TOWN OF PRINCES LAKES
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Funding Policy and Annual Pension Cost

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

TOWN OF PRINCE'S LAKE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Education	Unsafe Building	Nonreverting Park	Rainy Day
Cash and investments - beginning	\$ 187,442	\$ 55,924	\$ 222	\$ 13,705	\$ 1,214	\$ 173	\$ 11,648
Receipts:							
Taxes	166,113	141,018	-	-	-	-	-
Licenses and permits	4,619	-	-	160	-	-	-
Intergovernmental	182,742	101,512	21,731	-	-	-	1,371
Charges for services	11,775	-	-	30	-	-	-
Fines and forfeits	-	-	-	3,191	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	34,954	286	-	12	-	-	-
Total receipts	<u>400,203</u>	<u>242,816</u>	<u>21,731</u>	<u>3,393</u>	<u>-</u>	<u>-</u>	<u>1,371</u>
Disbursements:							
Personal services	292,630	95,118	-	-	-	-	-
Supplies	21,619	47,990	18,707	790	-	-	-
Other services and charges	89,844	55,443	-	-	30	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	963	7,089	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	60	-	-	-	-	-	-
Total disbursements	<u>405,116</u>	<u>205,640</u>	<u>18,707</u>	<u>790</u>	<u>30</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(4,913)</u>	<u>37,176</u>	<u>3,024</u>	<u>2,603</u>	<u>(30)</u>	<u>-</u>	<u>1,371</u>
Cash and investments - ending	<u>\$ 182,529</u>	<u>\$ 93,100</u>	<u>\$ 3,246</u>	<u>\$ 16,308</u>	<u>\$ 1,184</u>	<u>\$ 173</u>	<u>\$ 13,019</u>

TOWN OF PRINCE'S LAKE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Police Donation	Park And Recreation	Cdc-Walking Trail	Public Affairs/ Town Donation	Culvert Refund	K-9
Cash and investments - beginning	\$ 2,661	\$ 12,614	\$ 1,398	\$ 2,425	\$ 1,817	\$ -
Receipts:						
Taxes	-	8,282	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	16,222	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	101	-	-	-	-	2,689
Total receipts	<u>101</u>	<u>24,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,689</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	22,577	-	-	-	-
Other services and charges	-	-	-	-	-	2,688
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>22,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,688</u>
Excess (deficiency) of receipts over disbursements	<u>101</u>	<u>1,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Cash and investments - ending	<u>\$ 2,762</u>	<u>\$ 14,541</u>	<u>\$ 1,398</u>	<u>\$ 2,425</u>	<u>\$ 1,817</u>	<u>\$ 1</u>

TOWN OF PRINCE'S LAKE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Cumulative Capital Improvement Cigarette Tax	Cumulative Capital Development	Payroll	Sewage Utility Operating	Wastewater Depreciation	Wastewater Utility P&I Sinking
Cash and investments - beginning	\$ 44,805	\$ 25,593	\$ (381)	\$ 442,413	\$ 425,753	\$ 104,917
Receipts:						
Taxes	-	34,583	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	4,410	3,664	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	867,465	-	-
Other receipts	-	-	692,497	1,876,937	165,000	36,181
Total receipts	4,410	38,247	692,497	2,744,402	165,000	36,181
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	235,660	-	-
Capital outlay	4,369	22,000	-	10,529	-	-
Utility operating expenses	-	-	-	1,409,967	-	-
Other disbursements	-	-	692,116	984,794	-	70,040
Total disbursements	4,369	22,000	692,116	2,640,950	-	70,040
Excess (deficiency) of receipts over disbursements	41	16,247	381	103,452	165,000	(33,859)
Cash and investments - ending	\$ 44,846	\$ 41,840	\$ -	\$ 545,865	\$ 590,753	\$ 71,058

TOWN OF PRINCE'S LAKE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Wastewater Debt Service Reserve	Wastewater Utility SRF Bond and Interest	Wastewater Utility SRF Debt Service Reserve	Wastewater Utility SRF ARRA 2009 BAN	Wastewater Utility SRF ARRA 2010 BAN I	Wastewater Utility SRF ARRA 2010 BAN II
Cash and investments - beginning	\$ 5	\$ 177,816	\$ 426,759	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	496,770	2	509,082	4,060,404	2,447,147
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	10	-	-	-	206,232	337,665
Total receipts	<u>10</u>	<u>496,770</u>	<u>2</u>	<u>509,082</u>	<u>4,266,636</u>	<u>2,784,812</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	308,929	-	-	-	-
Capital outlay	-	-	-	509,082	4,060,404	2,447,147
Utility operating expenses	-	-	-	-	-	-
Other disbursements	15	-	-	-	206,232	337,665
Total disbursements	<u>15</u>	<u>308,929</u>	<u>-</u>	<u>509,082</u>	<u>4,266,636</u>	<u>2,784,812</u>
Excess (deficiency) of receipts over disbursements	<u>(5)</u>	<u>187,841</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 365,657</u>	<u>\$ 426,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF PRINCE'S LAKE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility Depreciation	Water Utility Meter Deposit	Water Department Improvement	Totals
Cash and investments - beginning	\$ 380,403	\$ 59,510	\$ 27,923	\$ 79,730	\$ 178,703	\$ 2,665,192
Receipts:						
Taxes	-	-	-	-	-	349,996
Licenses and permits	-	-	-	-	-	4,779
Intergovernmental	-	-	-	-	-	7,845,057
Charges for services	-	-	-	-	-	11,805
Fines and forfeits	-	-	-	-	-	3,191
Utility fees	794,494	-	-	-	-	1,661,959
Other receipts	27,244	-	55,000	5,750	5,000	3,445,558
Total receipts	821,738	-	55,000	5,750	5,000	13,322,345
Disbursements:						
Personal services	-	-	-	-	-	387,748
Supplies	-	-	-	-	-	111,683
Other services and charges	-	-	-	-	-	148,005
Debt service - principal and interest	-	-	-	-	-	544,589
Capital outlay	-	-	-	-	-	7,061,583
Utility operating expenses	557,889	-	-	3,865	-	1,971,721
Other disbursements	218,966	-	-	-	-	2,509,888
Total disbursements	776,855	-	-	3,865	-	12,735,217
Excess (deficiency) of receipts over disbursements	44,883	-	55,000	1,885	5,000	587,128
Cash and investments - ending	\$ 425,286	\$ 59,510	\$ 82,923	\$ 81,615	\$ 183,703	\$ 3,252,320

TOWN OF PRINCE'S LAKES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Unsafe Building	Rainy Day	Cumulative Capital Improvement Cigarette Tax
Cash and investments - beginning	\$ 182,529	\$ 93,100	\$ 3,246	\$ 16,308	\$ 1,184	\$ 13,019	\$ 44,846
Receipts:							
Taxes	138,514	65,031	20,315	-	-	-	-
Licenses and permits	3,409	-	-	600	-	-	-
Intergovernmental	149,846	86,685	-	-	-	-	4,325
Charges for services	1,453	-	-	86	-	-	-
Fines and forfeits	-	-	-	2,043	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	220,569	-	-	-	-	-	-
Total receipts	<u>513,791</u>	<u>151,716</u>	<u>20,315</u>	<u>2,729</u>	<u>-</u>	<u>-</u>	<u>4,325</u>
Disbursements:							
Personal services	308,138	101,872	-	-	-	-	-
Supplies	19,995	32,188	-	-	-	-	-
Other services and charges	81,858	73,566	18,636	1,579	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	37,343	21,956	-	-	-	-	3,568
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	163,890	-	-	-	-	-	-
Total disbursements	<u>611,224</u>	<u>229,582</u>	<u>18,636</u>	<u>1,579</u>	<u>-</u>	<u>-</u>	<u>3,568</u>
Excess (deficiency) of receipts over disbursements	<u>(97,433)</u>	<u>(77,866)</u>	<u>1,679</u>	<u>1,150</u>	<u>-</u>	<u>-</u>	<u>757</u>
Cash and investments - ending	<u>\$ 85,096</u>	<u>\$ 15,234</u>	<u>\$ 4,925</u>	<u>\$ 17,458</u>	<u>\$ 1,184</u>	<u>\$ 13,019</u>	<u>\$ 45,603</u>

TOWN OF PRINCE'S LAKES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Cumulative Capital Development	Grant Monies	Nonreverting Park	Police Donation	Park and Recreation	CDC-Walking Trail
Cash and investments - beginning	\$ 41,840	\$ -	\$ 173	\$ 2,762	\$ 14,541	\$ 1,398
Receipts:						
Taxes	26,544	-	-	-	3,663	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	1,374	-	-	-	190	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	1,199,836	-	141	-	8
Total receipts	<u>27,918</u>	<u>1,199,836</u>	<u>-</u>	<u>141</u>	<u>3,853</u>	<u>8</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	194	1,185	-
Other services and charges	-	-	-	-	9,189	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	23,323	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	1,199,836	-	-	-	-
Total disbursements	<u>23,323</u>	<u>1,199,836</u>	<u>-</u>	<u>194</u>	<u>10,374</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>4,595</u>	<u>-</u>	<u>-</u>	<u>(53)</u>	<u>(6,521)</u>	<u>8</u>
Cash and investments - ending	<u>\$ 46,435</u>	<u>\$ -</u>	<u>\$ 173</u>	<u>\$ 2,709</u>	<u>\$ 8,020</u>	<u>\$ 1,406</u>

TOWN OF PRINCE'S LAKES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Public Affairs/ Town Donation	Culvert Refund	K-9	Payroll	Sewage Utility Operating	Wastewater Depreciation
Cash and investments - beginning	\$ 2,425	\$ 1,817	\$ 1	\$ -	\$ 545,865	\$ 590,753
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	985,293	-
Other receipts	-	-	534	640,603	726,436	24,437
Total receipts	-	-	534	640,603	1,711,729	24,437
Disbursements:						
Personal services	-	-	-	638,357	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	27,693	22,016
Utility operating expenses	-	-	-	-	1,121,461	-
Other disbursements	-	-	-	-	943,627	-
Total disbursements	-	-	-	638,357	2,092,781	22,016
Excess (deficiency) of receipts over disbursements	-	-	534	2,246	(381,052)	2,421
Cash and investments - ending	\$ 2,425	\$ 1,817	\$ 535	\$ 2,246	\$ 164,813	\$ 593,174

TOWN OF PRINCE'S LAKES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wastewater Utility P&I Sinking	Wastewater Utility SRF Bond and Interest	Wastewater Utility SRF Debt Service Reserve	Wastewater Utility SRF ARRA 2009 BAN	Wastewater Utility SRF ARRA 2010 BAN I	Wastewater Utility SRF ARRA 2010 BAN II
Cash and investments - beginning	\$ 71,058	\$ 365,657	\$ 426,761	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	540,864	1	-	753,608	448,315
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	107	-	-	-	67,224	18,212
Total receipts	<u>107</u>	<u>540,864</u>	<u>1</u>	<u>-</u>	<u>820,832</u>	<u>466,527</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	536,991	-	-	753,608	448,315
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	67,224	18,212
Total disbursements	<u>-</u>	<u>536,991</u>	<u>-</u>	<u>-</u>	<u>820,832</u>	<u>466,527</u>
Excess (deficiency) of receipts over disbursements	<u>107</u>	<u>3,873</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 71,165</u>	<u>\$ 369,530</u>	<u>\$ 426,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF PRINCE'S LAKES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Water Utility-Operating	Water Utility-Bond and Interest	Water Utility Depreciation	Water Utility Meter Deposit	Water Department Improvement	Totals
Cash and investments - beginning	\$ 425,286	\$ 59,510	\$ 82,923	\$ 81,615	\$ 183,703	\$ 3,252,320
Receipts:						
Taxes	-	-	-	-	-	254,067
Licenses and permits	-	-	-	-	-	4,009
Intergovernmental	-	-	-	-	-	1,985,208
Charges for services	-	-	-	-	-	1,539
Fines and forfeits	-	-	-	-	-	2,043
Utility fees	846,487	-	-	3,500	-	1,835,280
Other receipts	2,856	-	60,000	-	-	2,960,963
Total receipts	849,343	-	60,000	3,500	-	7,043,109
Disbursements:						
Personal services	-	-	-	-	-	1,048,367
Supplies	-	-	-	-	-	53,562
Other services and charges	-	-	-	-	-	184,828
Debt service - principal and interest	-	-	-	-	-	536,991
Capital outlay	5,115	-	-	-	-	1,342,937
Utility operating expenses	676,304	-	-	-	-	1,797,765
Other disbursements	133,608	-	-	3,515	-	2,529,912
Total disbursements	815,027	-	-	3,515	-	7,494,362
Excess (deficiency) of receipts over disbursements	34,316	-	60,000	(15)	-	(451,253)
Cash and investments - ending	\$ 459,602	\$ 59,510	\$ 142,923	\$ 81,600	\$ 183,703	\$ 2,801,067

TOWN OF PRINCE'S LAKES
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 1,484	\$ -
Wastewater	6,230	97,763
Water	<u>165</u>	<u>63,176</u>
Totals	<u>\$ 7,879</u>	<u>\$ 160,939</u>

TOWN OF PRINCE'S LAKES
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Description of Debt		Ending Principal	Principal and Interest Due
Type	Purpose	Balance	Within One Year
Governmental Activities:			
Capital Leases:			
Copier	Copier Lease	\$ 2,417	\$ 2,417
Police Cars	Police Cars Lease	<u>20,137</u>	<u>7,659</u>
Totals Governmental Activities		<u>\$ 22,554</u>	<u>\$ 10,076</u>
Water Utility:			
Capital Leases:			
Water Meter and Meter Reading Equipment (75%)	Meter Reading Equipment	<u>\$ 178,056</u>	<u>\$ 27,907</u>
Totals Water Utility		<u>178,056</u>	<u>27,907</u>
Wastewater Utility:			
Capital Leases:			
Water Meter and Meter Reading Equipment (25%)	Meter Reading Equipment	<u>59,352</u>	<u>9,302</u>
General obligation bonds:			
1998 Improvements	Wastewater installation	<u>5,652,909</u>	<u>426,758</u>
Totals Utilities		<u>\$ 5,830,965</u>	<u>\$ 454,665</u>

TOWN OF PRINCE'S LAKES
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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

	Ending Balance
Governmental activities:	
Land	\$ 51,467
Buildings	121,507
Improvements other than buildings	62,459
Machinery, equipment and vehicles	281,961
Total governmental activities	517,394
Wastewater:	
Land	63,233
Infrastructure	3,772,956
Buildings	137,830
Improvements other than buildings	3,510,431
Machinery, equipment and vehicles	230,635
Total Wastewater	7,715,085
Water:	
Land	10,471
Infrastructure	5,566,055
Buildings	2,318,420
Improvements other than buildings	8,711,835
Machinery, equipment and vehicles	1,010,986
Construction in progress	26,600
Total Water	17,644,367
Total capital assets	\$ 25,876,846

TOWN OF PRINCE'S LAKES
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The 2010 annual report was not filed with the State Board of Accounts until July 5, 2011, resulting in the report being filed approximately four months after the due date of March 1, 2011.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

CERTIFIED REPORT OF NAMES, ADDRESSES, DUTIES AND COMPENSATION OF PUBLIC EMPLOYEES

For the years 2010 and 2011, the Town did not file a 100R – Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R - Revised 2001) with the State Board of Accounts.

Each year during the month of January each town clerk treasurer must complete a Certified Report of Names, Addresses, Duties and Compensation of Public Employees Form 100R and send the same properly certified to the State Examiner of the State Board of Accounts. List all officers and employees and business address of the town as of the month of January. Form 100R may be procured from your printer or supply firm. Space is provided for the name of the officer or employee, the address of each, the duties of each, and the compensation. List the compensation per month, week, day or hour. You will need to use more than one form if there are more than 65 officers and employees. (Accounting and Uniform Compliance Manual for Cities and Towns, Chapter 43-4)

APPROPRIATIONS

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

Fund	Year	Excess Amount Expended
Local Road and Street	2010	\$ 71
Park and Recreation	2010	3,777

Indiana Code 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."

OVERDRAWN FUND BALANCES

At December 31, 2011, 8 of the 16 withholding funds had overdrawn balances totaling \$9,125.26. A similar comment was previously reported in reports of the Town.

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)

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

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest were paid to the Internal Revenue Service during the audit period due to Failure to Deposit for the taxing periods March 31, 2010 and December 31, 2010 in the amounts of \$1,015.15 and \$460.13 respectively. The total amount of \$1,475.28 was paid June 15, 2011, for the above mentioned taxing periods.

Late charges were paid to PNC Equipment Finance on May 25, 2010, in the amount of \$67.65 for the new Meter Reading Equipment used by the utility.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OLD OUTSTANDING CHECKS

Our review of the bank reconcilements as of December 31, 2011, revealed checks in the amounts of \$342.01, \$157.67, and \$107.00, outstanding in excess of two years for the Town General, Water, and Wastewater utilities respectively.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

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

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the State Revolving Fund transactions. The Town has five bank accounts which are used to hold money received from the State Revolving Loan program and to pay expenditures associated with the program. These transactions are not accounted for on the Town's records. Additionally, these balances and transactions were not reported on the Annual Report submitted to the Indiana State Board of Accounts for the years 2010 and 2011. The Clerk-Treasurer approved the adjustment and the transactions have been included in the report presented herein. They are titled Wastewater Utility – SRF Bond and Interest; Wastewater Utility – SRF Debt Service Reserve; Wastewater Utility – SRF ARRA 2009 BAN; Wastewater Utility – SRF ARRA 2009 BAN I; and Wastewater Utility – SRF ARRA 2009 BAN II.

Furthermore, beginning cash balances reported on the Annual Report were incorrect for the following funds: Town General, Wastewater Operating, Wastewater Depreciation, and Water Operating. This resulted in the beginning Cash and Investments balances being understated by \$163,890.06, \$102,418.09, \$139,000.00, and \$155,774.07 respectively for year beginning January 1, 2010. The Clerk-Treasurer approved the adjustment and the adjustments are reflected in the report presented herein.

Moreover, it came to our attention the supplemental Schedule of Payables and Receivables for the year ended December 31, 2011, prepared by the Town and submitted as part of the Annual Report, was incorrect. The Accounts Receivable was overstated by \$2,735,190.48, \$2,023,132.32, and \$818,377.03 for the Town General, Wastewater, and Water Utilities respectively; Accounts Payable balances were overstated by \$1,553,074.11 and \$849,666.21 for the Wastewater and Water Utilities respectively. The Clerk-Treasurer made corrections to the schedule. The corrected schedule is included in the report presented herein.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

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

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)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted a deficiency in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiency constitutes a significant deficiency:

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

Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's financial statements and then determining how those identified risks should be managed - The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.

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

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

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
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF PRINCE'S LAKES, JOHNSON COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Prince's Lakes (Town) 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 each of its major federal programs for the years ended December 31, 2010 and 2011. The Town's major federal programs are 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 each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town'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 Town'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 Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program(s) for the years ended December 31, 2010 and 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2.

Internal Control Over Compliance

Management of the Town 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 Town'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Town's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Town's management, Town Council, others within the entity, 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 14, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

TOWN OF PRINCE'S LAKES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2010 and 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-10	Total Federal Awards Expended 12-31-11
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228			
Wastewater Utility Expansion		DR2-09-033	\$ 757,641	\$ 499,059
East Lake Lot Owners Association		DR1A-09-116	-	1,030,841
North Lake Conservancy District		DR1A-09-117	-	168,995
Total for cluster			<u>757,641</u>	<u>1,698,895</u>
Total for federal grantor agency			<u>757,641</u>	<u>1,698,895</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Finance Authority ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458			
SRF Loan No. WW096703 02		2W-00E73001-0	4,592,053	820,832
SRF Loan No. WW096703 04		CS18000110	2,578,580	466,527
Total for program			<u>7,170,633</u>	<u>1,287,359</u>
Total for federal grantor agency			<u>7,170,633</u>	<u>1,287,359</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			
Flood of 2008		Disaster No. 1766	15,741	-
Total for program			<u>15,741</u>	<u>-</u>
Total for federal grantor agency			<u>15,741</u>	<u>-</u>
Total federal awards expended			<u>\$ 7,944,015</u>	<u>\$ 2,986,254</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF PRINCE'S LAKES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of towns with populations fewer than 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the Town provided federal awards to subrecipients as follows for the year ended December 31, 2011:

Program Title	2011
CDBG – State-Administered CDBG Cluster	\$ 1,199,836

TOWN OF PRINCE'S LAKES
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 deficiency identified?	yes
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	yes
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?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	CDBG - State-Administered CDBG Cluster
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds
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

FINDING 2011 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted a deficiency in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiency constitutes a significant deficiency:

Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's financial statements and then determining how those identified risks should be managed. The Town has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements. In the original submitted financial statement and notes, the beginning cash and investment balances of the Town General,

TOWN OF PRINCE'S LAKES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Wastewater Operating, Wastewater Depreciation, and Water Operating Funds were found to be incorrectly reported. Additionally, the Wastewater SRF receipts, disbursements, and balances were omitted from the financial statements. These errors were all corrected through audit adjustments.

We recommended that the Town design and implement effective controls to prevent the omission of funds and activity from the financial statements.

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

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-2 - SPECIAL TESTS AND PROVISIONS

Federal Agency: U.S. Environmental Protection Agency
Federal Program: Clean Water SRF
CFDA Number: 66.458
Federal Award Number and Year (or Other Identifying Number): 2W-00E73001-0
and CS18000110 for years 2010 and 2011
Pass-Through Entity: Indiana Finance Authority

The Town received State Revolving Fund (SRF) ARRA awards. One of the requirements with ARRA awards is that accounting records for ARRA funds should provide for the separate identification and accounting for the ARRA awards and activity. During our review of the financial activity of the Town, we noted that no separate funds or accounts for the SRF ARRA awards within the Town's ledger were established. In addition, the Town did not have controls in place to ensure compliance with the special tests and provisions requirements related to ARRA awards.

OMB Circular A-133, Subpart C, section .300 (b) states:

"The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

2 CFR 176.210 states in part:

"Federal agencies must require recipients to (1) agree to maintain records that identify adequately the source and application of ARRA awards; . . ."

TOWN OF PRINCE'S LAKES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the applicable compliance requirements could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls to monitor the compliance requirements related to the special tests and provisions for ARRA awards and to establish separate funds within the Town's ledger for the various applicable SRF ARRA awards in accordance 2 CFR 176.210.

TOWN OF PRINCE'S LAKES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



"Everybody should have a place to go fishin"

TOWN OF PRINCE'S LAKES
CORRECTIVE ACTION PLAN

FINDING 2011-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Corrective Action:

The Prince's Lakes Clerk-Treasurer has implemented procedures to assure the reliability of financial information and records. We have established internal controls over the receipting, disbursing, recording and accountings for the financial activities to avoid risk of invalid transactions, inaccurate records and financial statements.

Expected Completion Date:

Immediately we will put this process in place.

FINDING 2011-2 SEPARATE ACCOUNTABILITY FOR ARRA FUNDING

Federal Agency: U.S. Environmental Protection Agency

Federal Program: Clean Water SRF

CFDA Number: 66.458

Federal Award Number and Year: 2W-00E73001-0 and CS18000110 for years 2010 and 2011.

Pass-through Entity: Indiana Finance Authority

Corrective Action:

The Prince's Lakes Clerk-Treasurer has established separate accounts for the various applicable State Revolving Fund (SRF) ARRA awards within our town ledgers. We have designed and implemented effective controls to prevent the omission of these funds from the Town's Annual Report.

Expected Completion Date:

Immediately we will put this process in place.

Karen Harrison
Clerk-Treasurer of Prince's Lakes

Date: 6-18-12

TOWN OF PRINCE'S LAKES
EXIT CONFERENCE

The contents of this report were discussed on June 14, 2012, with Karen I. Harrison, Clerk-Treasurer; Charlie Bourne, President of the Town Council; and Donna L. Von Schrittz, Deputy Clerk-Treasurer. The Official Response has been made a part of this report and may be found on page 46.



"Everybody should have a place to go fishin"

June 20, 2012

OFFICIAL RESPONSE
State Board of Accounts
302 W. Washington St., Room E 418
Indianapolis, IN 46204-2765

To Whom It May Concern:

This is my formal response to the State Board of Accounts audit that was conducted at the Town of Prince's Lakes in 2012.

I was appointed Clerk-Treasurer on June 6, 2011 to complete the term of office after the previous Clerk-Treasurer resigned her position, effective May 31, 2011. I was thereafter elected in November, 2011 as the Clerk-Treasurer for the next four-year term.

Eugene West conducted the audit and was very helpful assisting us with any and all concerns we were having.

There were infractions mentioned regarding reports being filed late or not at all and also late charges being paid on several claims. These items mentioned all occurred before I became clerk-treasurer and, while I know I am ultimately responsible, I cannot change what happened before I took office. I can only move forward to assure infractions like this do not happen again.

There were Withholding Funds with overdrawn balances reported. This has been an ongoing problem for several years and my first-deputy and I are working to hopefully resolve these issues before our next audit.

There were SRF fund totals that I inadvertently failed to list on the C-TAR. This being my first time doing the annual report, I failed to list these funds and Mr. West was very helpful in showing me these errors and assisting me in correcting these issues so I will know this for future reporting.

In closing, I would simply like to state I feel this was a very positive learning experience for me and I learned a lot from the audit and hope to take this knowledge and move forward in my position as Clerk-Treasurer.

Karen Harrison
Clerk-Treasurer