

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF PRINCETON

GIBSON COUNTY, INDIANA

January 1, 2011 to December 31, 2011



**FILED**  
08/21/2012



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jayne Deckard Mindy Brines	01-01-08 to 12-31-11 01-01-12 to 12-31-15
Mayor	Robert J. Hurst	01-01-08 to 12-31-15
President of the Board of Public Works	Robert J. Hurst	01-01-11 to 12-31-12
President of the Common Council	Katherine Cowling Steve Taylor	01-01-11 to 12-31-11 01-01-12 to 12-31-12
Superintendent of Water Distribution	J. B. Brines	01-01-11 to 12-31-12
Superintendent of Water Treatment	Dennis Gray	01-01-11 to 12-31-12
Superintendent of Wastewater Utility	Charles Woodruff	01-01-11 to 12-31-12



**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

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

We have audited the accompanying financial statement of the City of Princeton (City), for the year ended December 31, 2011. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement based on our audit.

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

As discussed in Note 1, the City prepares its financial statement 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.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 31, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

This report is intended solely for the information and use of the City's management, Common 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

July 31, 2012



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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Telephone: (317) 232-2513  
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statement of the City of Princeton (City), for the year ended December 31, 2011, and have issued our report thereon dated July 31, 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 City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 statement 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, Common 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

July 31, 2012

## FINANCIAL STATEMENT

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

CITY OF PRINCETON  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments		Cash and Investments	
	01-01-11	Receipts	Disbursements	12-31-11
GENERAL FUND	\$ 427,488	\$ 2,886,151	\$ 2,672,077	\$ 641,562
MOTOR VEHICLE HIGHWAY	339,075	350,505	515,380	174,200
LOCAL ROAD AND STREET	24,683	31,293	35,940	20,036
FEDERAL SEIZURE FUND	379	-	-	379
EDIT DISTRIBUTION	182,908	1,275,087	1,535,490	(77,495)
DEMOLITION OF BUILDING	27,899	100,029	3,495	124,433
PLANNING COMMISSION	22,793	37,301	45,477	14,617
POLICE NARCOTIC FUND	947	-	-	947
LOCAL LAW ENFORCEMENT CONTINUING EDUCATION	29,547	24,013	30,329	23,231
PARK AND RECREATION	218,181	344,799	361,004	201,976
RAINY DAY	96,905	-	93,329	3,576
POLICE K-9	1,388	-	-	1,388
EDIT FUND INVESTMENT	1,000,000	6,214	500,000	506,214
FIRE TERRITORY OPERATING	1,091,481	2,182,593	2,454,520	819,554
CUMULATIVE CAPITAL DEVELOPMENT	7,543	54,826	62,651	(282)
CUMULATIVE CAPITAL IMPROVEMENT	145,254	24,891	125,485	44,660
FIRE TERRITORY EQUIPMENT FUND	90,127	399,688	143,030	346,785
POLICE PENSION	377,597	242,455	259,277	360,775
FIRE PENSION	344,510	150,427	309,615	185,322
PARK MASTER PLAN GRANT	-	30,000	30,000	-
DONATION FUND	1,461	42,345	24,886	18,920
FIRE TERRITORY GRANT FUND	-	79,749	79,412	337
FIRE TERRITORY OPERATING	-	1,286,009	1,286,009	-
FIRE TERRITORY EQUIPMENT FUND	-	177,351	177,351	-
USDA REDEVELOPMENT (FEDERAL)	13,779	16,469	-	30,248
GENERAL MONEY MARKET INVESTMENT	50,000	-	-	50,000
PAYROLL	9,764	4,726,258	4,722,436	13,586
FIRE STATION FUND	(15,155)	19,959	4,804	-
CLEARING HOUSE ACCOUNT	6,734	4,368,916	4,366,168	9,482
FIRE PENSION INVESTMENT	300,000	2,288	-	302,288
POLICE PENSION INVESTMENT	300,000	2,288	-	302,288
INSURANCE TRUST FUND	56,038	1,010,378	1,010,860	55,556
FIRE EQUIPMENT FUND	29,370	231	29,935	(334)
SEWAGE OPERATING	7,793	2,439,455	2,507,658	(60,410)
SEWAGE BOND AND INTEREST	216,916	450,335	524,095	143,156
SEW DEBT SERVICE RESERVE	199,500	-	-	199,500
SEWAGE CASH CHANGE	250	-	-	250
SEWAGE IMPROVEMENT FUND	36,405	-	-	36,405
SEWAGE IMPROVEMENT INVESTMENT	820,000	5,036	500,000	325,036
WATER OPERATING	(430,158)	2,389,083	1,804,801	154,124
GUARANTEE METER	128,947	35,985	32,430	132,502
WATER TREATMENT PLANT CONSTRUCTION	386	874,587	874,587	386
BOSHOKU IEDC WATER GRANT	7,288	-	-	7,288
WATER CASH CHANGE	250	-	-	250
2002/2005 WATER BOND AND INTEREST	118,362	408,200	373,565	152,997
WATER DEBT SERVICE RESERVE	386,285	-	-	386,285
GUARANTEE METER INVESTMENT	75,000	573	-	75,573
ONB/JOHNSON CONTROLS	75,589	306,929	238,168	144,350
SRF WATER CONSTRUCTION	-	1,133,869	1,133,869	-
2010 WATER BOND AND INTEREST	120,413	219,167	188,746	150,834
2010 WATER DEBT SERVICE RESERVE	181,124	1	-	181,125
Totals	\$ 7,125,046	\$ 28,135,733	\$ 29,056,879	\$ 6,203,900

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

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

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

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

*B. Basis of Accounting*

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

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

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

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

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, and fines and fees.

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 statement. The aggregate disbursements include the following uses:

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

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

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

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

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.

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

*F. Interfund Transfers*

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

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

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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 City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENT  
(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.

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

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

*Funding Policy*

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

*On Behalf Payments*

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

*C. 1937 Firefighters' Pension Plan*

*Plan Description*

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

*Funding Policy*

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

*On Behalf Payments*

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

CITY OF PRINCETON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

*Plan Description*

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

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

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

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

*Funding Policy*

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

## SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

CITY OF PRINCETON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD AND STREET	FEDERAL SEIZURE FUND	EDIT DISTRIBUTION	DEMOLITION OF BUILDING	PLANNING COMMISSION
Cash and investments - beginning	\$ 427,488	\$ 339,075	\$ 24,683	\$ 379	\$ 182,908	\$ 27,899	\$ 22,793
Receipts:							
Taxes	2,065,895	105,061	-	-	-	88,974	31,683
Licenses and permits	-	-	-	-	-	-	4,830
Intergovernmental	240,284	216,076	28,621	-	1,211,031	2,055	788
Charges for services	263,128	-	-	-	-	-	-
Fines and forfeits	7,304	25,058	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>309,540</u>	<u>4,310</u>	<u>2,672</u>	<u>-</u>	<u>64,056</u>	<u>9,000</u>	<u>-</u>
Total receipts	<u>2,886,151</u>	<u>350,505</u>	<u>31,293</u>	<u>-</u>	<u>1,275,087</u>	<u>100,029</u>	<u>37,301</u>
Disbursements:							
Personal services	1,917,032	321,691	-	-	-	-	43,679
Supplies	124,261	165,272	35,000	-	-	-	790
Other services and charges	268,452	16,894	-	-	356,440	-	1,008
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	14,050	5,000	-	-	466,999	3,495	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>348,282</u>	<u>6,523</u>	<u>940</u>	<u>-</u>	<u>712,051</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>2,672,077</u>	<u>515,380</u>	<u>35,940</u>	<u>-</u>	<u>1,535,490</u>	<u>3,495</u>	<u>45,477</u>
Excess (deficiency) of receipts over disbursements	<u>214,074</u>	<u>(164,875)</u>	<u>(4,647)</u>	<u>-</u>	<u>(260,403)</u>	<u>96,534</u>	<u>(8,176)</u>
Cash and investments - ending	<u>\$ 641,562</u>	<u>\$ 174,200</u>	<u>\$ 20,036</u>	<u>\$ 379</u>	<u>\$ (77,495)</u>	<u>\$ 124,433</u>	<u>\$ 14,617</u>

CITY OF PRINCETON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	POLICE NARCOTIC FUND	LOCAL LAW ENFORCEMENT CONTINUING EDUCATION	PARK AND RECREATION	RAINY DAY	POLICE K-9	EDIT FUND INVESTMENT	FIRE TERRITORY OPERATING
Cash and investments - beginning	\$ 947	\$ 29,547	\$ 218,181	\$ 96,905	\$ 1,388	\$ 1,000,000	\$ 1,091,481
Receipts:							
Taxes	-	-	189,846	-	-	-	421,103
Licenses and permits	-	24,013	-	-	-	-	-
Intergovernmental	-	-	5,072	-	-	-	6,737
Charges for services	-	-	141,311	-	-	-	18
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	8,570	-	-	6,214	1,754,735
Total receipts	-	24,013	344,799	-	-	6,214	2,182,593
Disbursements:							
Personal services	-	-	234,966	-	-	-	1,857,859
Supplies	-	29,329	28,661	-	-	-	44,411
Other services and charges	-	-	58,843	12,840	-	-	87,842
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	32,394	80,489	-	-	165,487
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	1,000	6,140	-	-	500,000	298,921
Total disbursements	-	30,329	361,004	93,329	-	500,000	2,454,520
Excess (deficiency) of receipts over disbursements	-	(6,316)	(16,205)	(93,329)	-	(493,786)	(271,927)
Cash and investments - ending	\$ 947	\$ 23,231	\$ 201,976	\$ 3,576	\$ 1,388	\$ 506,214	\$ 819,554

CITY OF PRINCETON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	CUMULATIVE CAPITAL DEVELOPMENT	CUMULATIVE CAPITAL IMPROVEMENT	FIRE TERRITORY EQUIPMENT FUND	POLICE PENSION	FIRE PENSION	PARK MASTER PLAN GRANT	DONATION FUND
Cash and investments - beginning	\$ 7,543	\$ 145,254	\$ 90,127	\$ 377,597	\$ 344,510	\$ -	\$ 1,461
Receipts:							
Taxes	53,601	-	218,836	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,223	23,477	3,501	-	-	30,000	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>2</u>	<u>1,414</u>	<u>177,351</u>	<u>242,455</u>	<u>150,427</u>	<u>-</u>	<u>42,345</u>
Total receipts	<u>54,826</u>	<u>24,891</u>	<u>399,688</u>	<u>242,455</u>	<u>150,427</u>	<u>30,000</u>	<u>42,345</u>
Disbursements:							
Personal services	-	-	-	259,093	309,455	-	-
Supplies	-	125,485	-	-	-	-	12,869
Other services and charges	62,651	-	-	184	160	-	2,816
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	143,030	-	-	30,000	1,517
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,684</u>
Total disbursements	<u>62,651</u>	<u>125,485</u>	<u>143,030</u>	<u>259,277</u>	<u>309,615</u>	<u>30,000</u>	<u>24,886</u>
Excess (deficiency) of receipts over disbursements	<u>(7,825)</u>	<u>(100,594)</u>	<u>256,658</u>	<u>(16,822)</u>	<u>(159,188)</u>	<u>-</u>	<u>17,459</u>
Cash and investments - ending	<u><u>\$ (282)</u></u>	<u><u>\$ 44,660</u></u>	<u><u>\$ 346,785</u></u>	<u><u>\$ 360,775</u></u>	<u><u>\$ 185,322</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,920</u></u>

CITY OF PRINCETON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	FIRE TERRITORY GRANT FUND	FIRE TERRITORY OPERATING	FIRE TERRITORY EQUIPMENT FUND	USDA REDEVELOPMENT (FEDERAL)	GENERAL MONEY MARKET INVESTMENT	PAYROLL	FIRE STATION FUND
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 13,779	\$ 50,000	\$ 9,764	\$ (15,155)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	79,749	-	-	-	-	-	1,246
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	1,286,009	177,351	16,469	-	4,726,258	18,713
Total receipts	<u>79,749</u>	<u>1,286,009</u>	<u>177,351</u>	<u>16,469</u>	<u>-</u>	<u>4,726,258</u>	<u>19,959</u>
Disbursements:							
Personal services	-	-	-	-	-	4,276,812	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	79,412	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	1,286,009	177,351	-	-	445,624	4,804
Total disbursements	<u>79,412</u>	<u>1,286,009</u>	<u>177,351</u>	<u>-</u>	<u>-</u>	<u>4,722,436</u>	<u>4,804</u>
Excess (deficiency) of receipts over disbursements	<u>337</u>	<u>-</u>	<u>-</u>	<u>16,469</u>	<u>-</u>	<u>3,822</u>	<u>15,155</u>
Cash and investments - ending	<u>\$ 337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,248</u>	<u>\$ 50,000</u>	<u>\$ 13,586</u>	<u>\$ -</u>

CITY OF PRINCETON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	CLEARING HOUSE ACCOUNT	FIRE PENSION INVESTMENT	POLICE PENSION INVESTMENT	INSURANCE TRUST FUND	FIRE EQUIPMENT FUND	SEWAGE OPERATING
Cash and investments - beginning	\$ 6,734	\$ 300,000	\$ 300,000	\$ 56,038	\$ 29,370	\$ 7,793
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	155	-
Charges for services	2,814	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	2,361,443
Other receipts	<u>4,366,102</u>	<u>2,288</u>	<u>2,288</u>	<u>1,010,378</u>	<u>76</u>	<u>78,012</u>
Total receipts	<u>4,368,916</u>	<u>2,288</u>	<u>2,288</u>	<u>1,010,378</u>	<u>231</u>	<u>2,439,455</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	2,344
Utility operating expenses	-	-	-	-	-	1,871,549
Other disbursements	<u>4,366,168</u>	<u>-</u>	<u>-</u>	<u>1,010,860</u>	<u>29,935</u>	<u>633,765</u>
Total disbursements	<u>4,366,168</u>	<u>-</u>	<u>-</u>	<u>1,010,860</u>	<u>29,935</u>	<u>2,507,658</u>
Excess (deficiency) of receipts over disbursements	<u>2,748</u>	<u>2,288</u>	<u>2,288</u>	<u>(482)</u>	<u>(29,704)</u>	<u>(68,203)</u>
Cash and investments - ending	<u>\$ 9,482</u>	<u>\$ 302,288</u>	<u>\$ 302,288</u>	<u>\$ 55,556</u>	<u>\$ (334)</u>	<u>\$ (60,410)</u>

CITY OF PRINCETON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	SEWAGE BOND AND INTEREST	SEW DEBT SERVICE RESERVE	SEWAGE CASH CHANGE	SEWAGE IMPROVEMENT FUND	SEWAGE IMPROVEMENT INVESTMENT	WATER OPERATING
Cash and investments - beginning	\$ 216,916	\$ 199,500	\$ 250	\$ 36,405	\$ 820,000	\$ (430,158)
Receipts:						
Taxes	-	-	-	-	-	633
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	2,133,398
Other receipts	450,335	-	-	-	5,036	255,052
Total receipts	450,335	-	-	-	5,036	2,389,083
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	311,995	-	-	-	-	-
Capital outlay	211,000	-	-	-	-	3,767
Utility operating expenses	-	-	-	-	-	1,416,941
Other disbursements	1,100	-	-	-	500,000	384,093
Total disbursements	524,095	-	-	-	500,000	1,804,801
Excess (deficiency) of receipts over disbursements	(73,760)	-	-	-	(494,964)	584,282
Cash and investments - ending	\$ 143,156	\$ 199,500	\$ 250	\$ 36,405	\$ 325,036	\$ 154,124

CITY OF PRINCETON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	GUARANTEE METER	WATER TREATMENT PLANT CONSTRUCTION	BOSHOKU IEDC WATER GRANT	WATER CASH CHANGE	2002/2005 WATER BOND AND INTEREST	WATER DEBT SERVICE RESERVE
Cash and investments - beginning	\$ 128,947	\$ 386	\$ 7,288	\$ 250	\$ 118,362	\$ 386,285
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	35,985	-	-	-	-	-
Other receipts	-	874,587	-	-	408,200	-
Total receipts	<u>35,985</u>	<u>874,587</u>	<u>-</u>	<u>-</u>	<u>408,200</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	373,565	-
Capital outlay	-	874,587	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	32,430	-	-	-	-	-
Total disbursements	<u>32,430</u>	<u>874,587</u>	<u>-</u>	<u>-</u>	<u>373,565</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>3,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,635</u>	<u>-</u>
Cash and investments - ending	<u>\$ 132,502</u>	<u>\$ 386</u>	<u>\$ 7,288</u>	<u>\$ 250</u>	<u>\$ 152,997</u>	<u>\$ 386,285</u>

CITY OF PRINCETON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	GUARANTEE METER INVESTMENT	ONB/JOHNSON CONTROLS	SRF WATER CONSTRUCTION	2010 WATER BOND AND INTEREST	2010 WATER DEBT SERVICE RESERVE	Totals
Cash and investments - beginning	\$ 75,000	\$ 75,589	\$ -	\$ 120,413	\$ 181,124	\$ 7,125,046
Receipts:						
Taxes	-	-	-	-	-	3,175,632
Licenses and permits	-	-	-	-	-	28,843
Intergovernmental	-	-	-	-	-	1,850,015
Charges for services	-	-	-	-	-	407,271
Fines and forfeits	-	-	-	-	-	32,362
Utility fees	-	-	-	-	-	4,530,826
Other receipts	573	306,929	1,133,869	219,167	1	18,110,784
Total receipts	573	306,929	1,133,869	219,167	1	28,135,733
Disbursements:						
Personal services	-	-	-	-	-	9,220,587
Supplies	-	-	-	-	-	566,078
Other services and charges	-	-	-	-	-	868,130
Debt service - principal and interest	-	238,168	-	188,746	-	1,112,474
Capital outlay	-	-	1,133,869	-	-	3,247,440
Utility operating expenses	-	-	-	-	-	3,288,490
Other disbursements	-	-	-	-	-	10,753,680
Total disbursements	-	238,168	1,133,869	188,746	-	29,056,879
Excess (deficiency) of receipts over disbursements	573	68,761	-	30,421	1	(921,146)
Cash and investments - ending	\$ 75,573	\$ 144,350	\$ -	\$ 150,834	\$ 181,125	\$ 6,203,900

CITY OF PRINCETON  
SCHEDULE OF LEASES AND DEBT  
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Old National Bank	Water Meter Upgrades	<u>\$ 227,668</u>	07-01-11	07-01-25
Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year	
Governmental activities: Revenue bonds	Economic Development Lease Rental Refunding Bonds 2005	<u>\$ 1,160,000</u>	<u>\$ 210,000</u>	
Wastewater: Revenue bonds	Sewage Works Refunding Revenue Bond 2003 1993	<u>590,000</u>	<u>309,807</u>	
Water: Revenue bonds	Taxable Waterworks Revenue Bonds 2010	146,097	38,375	
Revenue bonds	Waterworks Refunding Revenue Bonds 2002	165,000	168,506	
Revenue bonds	Waterworks Refunding Revenue Bonds 2005 1999	2,695,000	152,263	
Revenue bonds	Waterworks Revenue Bonds 2010	<u>2,500,188</u>	<u>180,571</u>	
Total Water		<u>5,506,285</u>	<u>539,715</u>	
Totals		<u>\$ 7,256,285</u>	<u>\$ 1,059,522</u>	

CITY OF PRINCETON  
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	\$ 131,997
Infrastructure	2,316,402
Buildings	2,571,882
Improvements other than buildings	1,601,829
Machinery, equipment and vehicles	3,689,569
Total governmental activities	10,311,679
Wastewater:	
Land	13,592,047
Buildings	3,053,888
Improvements other than buildings	7,444,293
Machinery, equipment and vehicles	4,168,487
Total Wastewater	28,258,715
Water:	
Land	154,850
Buildings	1,936,684
Improvements other than buildings	3,926,513
Machinery, equipment and vehicles	333,357
Construction in progress	4,089,570
Total Water	10,440,974
Total capital assets	\$ 49,011,368

CITY OF PRINCETON  
AUDIT RESULTS AND COMMENTS

***ERRORS ON CLAIMS***

The following deficiencies were noted on claims during the audit period:

1. Some claims were not adequately itemized to document the amount attributable to various funds.
2. A few claims did not have board approval.
3. A few claims were not signed by the entity's fiscal officer.
4. A few claims or invoices did not have evidence to support receipt of goods or services.
5. A few claims did not have a fully itemized invoice or bill for the claim.

A similar comment appeared in the prior audit report.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

A similar comment appeared in the prior report.

***FIRE PROTECTION TERRITORY BOARD***

The City of Princeton was named the provider unit for the Princeton Fire Territory on January 1, 2011. The territory covers the City of Princeton and Patoka Township. The territory established a board which consists of the Mayor of Princeton, the Patoka Township Trustee, and three other members appointed by the Mayor and Trustee. The following actions were taken by the fire territory board during 2011.

1. The fire territory board established a Fire Territory Rainy Day Fund and the City Council ratified it on December 19, 2011.

CITY OF PRINCETON  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 36-1-8-5.1(a) states in part:

"A political subdivision may establish a rainy day fund by the adoption of:

- (1) an ordinance, in the case of a county, city, or town; or
- (2) a resolution, in the case of any other political subdivision."

The City is a political subdivision, but the Fire Protection Territory is not a political subdivision. Per the statute referenced above, a political subdivision may establish a rainy day fund. A political subdivision is not granted the power to establish multiple rainy day funds.

The Fire Territory Rainy Day Fund should be removed from the records and any amounts residing in that fund should be returned to the fund or funds from which they were transferred.

2. The fire territory board negotiated the 2011 union contract with the territory firefighters. The contract was signed by the Mayor and Township Trustee acting as members of the fire territory board.

The established territory board may act in an advisory capacity and may, in that capacity, carry on negotiations; however, since the territory does not exist as a legal entity, the union contract should be entered into between the union and the provider unit or, alternatively, between the union and all participating units.

3. All capital assets and real property purchased with fire territory funds are titled under the name of the Princeton Fire Territory.

Officials were unable to obtain municipal license plates for vehicles titled in the name of the territory. "Regular" license plates were obtained, at an additional and unnecessary expense to the territory fund. Since the territory does not exist as a legal entity, any assets purchased with territory funds should be titled in the name of the provider unit. Vehicles titled in the name of the provider unit are eligible for municipal plates.

4. The fire territory board applied for and received FEMA grant monies under the territory's name during 2011. The application was not approved or signed by the City Council.

Since the territory does not exist as a legal entity, any grant applications, and any resulting grant agreements, should be in the name of the provider unit.

Attorney General Advisory Letter No. 04-30 states in part: ". . . The FPT [Fire Protection Territory] is provided with no independent governmental authority under the statute. The FPT is not a separate governmental unit, but is an agreement among separate governmental entities to coordinate fire protection coverage and to establish a fund from which the participating units cover firefighting costs." Additionally, the letter states in part: ". . . the FPT to which the participating units belong, is not an independent 'governmental body'. The FPT does not maintain its own property..."

Indiana Code 36-1-3-6 states in part: ". . . Sec. 6(a) If there is a constitutional or statutory provision requiring a specific manner for exercising a power, a unit wanting to exercise the power must do so in that manner."

CITY OF PRINCETON  
AUDIT RESULTS AND COMMENTS  
(Continued)

**OVERDRAWN CASH BALANCES**

The cash balances of the EDIT Distribution, Cumulative Capital Development, Fire Equipment, and Sewage Operating Funds were overdrawn in 2011. A similar comment appeared in the prior report.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**SALES TAX**

The Utility did not compute the correct amount of sales tax to remit to the Indiana Department of Revenue. The sales tax charged to consumers for hydrant fees was not included in remittances to the Indiana Department of Revenue for 2011. Total taxes not remitted were \$10,435. A similar comment appeared in the prior report.

Collections by a city or town from the retail sale of tangible property, utility service, or commodities in the performance of private or proprietary activities are subject to sales tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All questions concerning the law or procedure for paying and collecting sales tax should be directed to the Indiana Department of Revenue, Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**TRAVEL CLAIMS**

The following instances of noncompliance with the City of Princeton's travel policy were noted during a review of travel claims:

1. Mileage claims (Form 101) approved by the State Board of Accounts were not filled out as required.
2. Numerous instances were noted where reimbursements for food purchases were not supported by detailed receipts.
3. One instance was noted where reimbursement for in room food service occurred, which is in direct violation of the City's travel policy.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (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)

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)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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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 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 each of its major federal programs for the year ended December 31, 2011. The City'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 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 each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

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

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.

This report is intended solely for the information and use of the City's management, Common 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

July 31, 2012

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF PRINCETON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 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
<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 Park Master Plan Disaster Recovery Fund, Appropriation 2	14.228	PL-09-040 DR-2-09-03	\$ 30,000 <u>596,136</u>
Total for federal grantor agency			<u>626,136</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster Recreational Trails Program Princeton Multi-Use Trails	20.219	A249-10-320783	<u>77,179</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management Capitalization Grants for Drinking Water State Revolving Funds Water Treatment Plant Expansion	66.468	DW09582601	<u>542,389</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant Assistance to Firefighters Grant Vehicle Extraction Exhaust System	97.044	EMW-2009-FO-10147	<u>79,412</u>
Total federal awards expended			<u>\$ 1,325,116</u>

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

CITY OF PRINCETON  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

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

CITY OF PRINCETON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	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
66.468	CDBG - State Administered CDBG Cluster Capitalization Grants for Drinking 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**

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 August 1, 2012, with Robert J. Hurst, Mayor; Mindy Brines, Clerk-Treasurer; Steve Taylor, President of the Common Council; and Jerry D. Stillwell, City Attorney. The officials concurred with our audit findings.