

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, 2012 to December 31, 2013



FILED

11/26/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's 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 <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	11
Notes to Financial Statement	12-16
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	18-23
Schedule of Payables and Receivables	24
Schedule of Leases and Debt	25
Schedule of Capital Assets.....	27
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance.....	30-31
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	35
Notes to Schedule of Expenditures of Federal Awards	36
Schedule of Findings and Questioned Costs	37-42
Auditee Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	44
Corrective Action Plan	45-46
Other Report	47

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen Harrison	01-01-12 to 12-31-15
President of the Town Council	Charles Bourne	01-01-12 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Prince's Lakes (Town), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2012 to December 31, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2012 to December 31, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 2, 2014, 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* in considering the Town's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town'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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards 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 Town's financial statement. 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, as listed in the Table of Contents, 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.


Paul D. Joyce, CPA
State Examiner

October 2, 2014



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INDEPENDENT AUDITOR'S 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 TOWN OF PRINCE'S LAKES, JOHNSON COUNTY, INDIANA

We have audited, 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, the financial statement of the Town of Prince's Lakes (Town), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated October 2, 2014, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002 to be material weaknesses.

INDEPENDENT AUDITOR'S 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 Town'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002.

Town of Prince's Lakes Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

October 2, 2014

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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TOWN OF PRINCE'S LAKES
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 85,096	\$ 374,622	\$ 389,155	\$ 70,563	\$ 382,429	\$ 376,508	\$ 76,484
Motor Vehicle Highway	15,234	149,619	130,739	34,114	150,001	135,149	48,966
Local Road And Street	4,925	21,975	-	26,900	18,459	13,170	32,189
Law Enforcement Continuing Ed	17,458	1,617	6,040	13,035	1,523	-	14,558
Unsafe Building Fund	1,184	-	-	1,184	-	-	1,184
Rainy Day Fund	13,019	-	-	13,019	-	-	13,019
Cumulative Capl Imprv Cigarette Tax	45,603	-	10,954	34,649	-	7,516	27,133
Cumulative Capital Development	46,435	25,397	23,600	48,232	26,865	13,286	61,811
GRANT MONIES	-	755,345	755,162	183	1,540,487	1,540,487	183
Nonreverting Park Fund	173	-	-	173	-	-	173
Police Donation	2,709	-	-	2,709	-	-	2,709
Park & Recreation	8,020	8,730	10,713	6,037	8,443	7,596	6,884
Cdc-Walking Trail	1,406	-	-	1,406	-	-	1,406
Public Affairs/ Town Donation	2,425	581	584	2,422	565	410	2,577
Culvert Refund	1,817	-	-	1,817	-	-	1,817
K-9 Fund	535	57	400	192	-	-	192
Payroll	2,246	661,290	655,300	8,236	780,291	781,925	6,602
Wastewater Debt Service Reserve	-	379,863	-	379,863	-	-	379,863
Wastewater SRF Bond & Interest	369,530	391,196	494,343	266,383	-	266,383	-
Wastewater SRF Debt Service	426,763	-	426,763	-	-	-	-
Wastewater SRF BONY	-	30,165	30,165	-	28,467	28,467	-
Sewage Utility Operating	164,811	923,612	1,032,685	55,738	1,207,221	901,803	361,156
Wastewater Depreciation	593,174	55,000	115,737	532,437	-	47,533	484,904
Wastewater Utility P&I Sinking	71,165	250	-	71,415	352,107	279,900	143,622
Water Utility-Operating	459,602	803,749	796,863	466,488	888,978	858,435	497,031
Water Utility-Bond And Interest	59,510	-	-	59,510	-	-	59,510
Water Utility Depreciation	142,923	60,000	-	202,923	60,000	-	262,923
Water Utility Meter Deposit	81,600	4,300	3,470	82,430	6,250	5,565	83,115
Water Department Improvement	183,703	-	-	183,703	-	55,010	128,693
Totals	\$ 2,801,066	\$ 4,647,368	\$ 4,882,673	\$ 2,565,761	\$ 5,452,086	\$ 5,319,143	\$ 2,698,704

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

TOWN OF PRINCE'S LAKES
NOTES TO FINANCIAL STATEMENT

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, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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), 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 PRINCE'S LAKES
NOTES TO FINANCIAL STATEMENT
(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 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 Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF PRINCE'S LAKES
NOTES TO FINANCIAL STATEMENT
(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 PRINCE'S LAKES
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 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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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:

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

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

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 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 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 LAKES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Unsafe Building Fund	Rainy Day Fund	Cumulative Capl Imprv Cigarette Tax	Cumulative Capital Development	GRANT MONIES	Nonreverting Park Fund
Cash and investments - beginning	\$ 85,096	\$ 15,234	\$ 4,925	\$ 17,458	\$ 1,184	\$ 13,019	\$ 45,603	\$ 46,435	\$ -	\$ 173
Receipts:										
Taxes	198,927	61,821	21,828	-	-	-	-	22,609	-	-
Licenses and permits	6,952	-	-	760	-	-	-	-	-	-
Intergovernmental	154,995	87,598	-	-	-	-	-	2,788	-	-
Charges for services	522	-	-	180	-	-	-	-	-	-
Fines and forfeits	-	-	-	30	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Other receipts	13,226	200	147	647	-	-	-	-	755,345	-
Total receipts	374,622	149,619	21,975	1,617	-	-	-	25,397	755,345	-
Disbursements:										
Personal services	314,224	88,322	-	-	-	-	-	-	-	-
Supplies	7,679	21,007	-	1,075	-	-	-	-	-	-
Other services and charges	64,252	18,878	-	-	-	-	3,295	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-	-
Capital outlay	3,000	2,532	-	4,965	-	-	7,659	23,600	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	755,162	-
Total disbursements	389,155	130,739	-	6,040	-	-	10,954	23,600	755,162	-
Excess (deficiency) of receipts over disbursements	(14,533)	18,880	21,975	(4,423)	-	-	(10,954)	1,797	183	-
Cash and investments - ending	\$ 70,563	\$ 34,114	\$ 26,900	\$ 13,035	\$ 1,184	\$ 13,019	\$ 34,649	\$ 48,232	\$ 183	\$ 173

TOWN OF PRINCE'S LAKES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	Police Donation	Park & Recreation	Cdc-Walking Trail	Public Affairs/ Town Donation	Culvert Refund	K-9 Fund	Payroll	Wastewater Debt Service Reserve	Wastewater SRF Bond & Interest	Wastewater SRF Debt Service
Cash and investments - beginning	\$ 2,709	\$ 8,020	\$ 1,406	\$ 2,425	\$ 1,817	\$ 535	\$ 2,246	\$ -	\$ 369,530	\$ 426,763
Receipts:										
Taxes	-	7,772	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	958	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	581	-	57	661,290	379,863	391,196	-
Total receipts	-	8,730	-	581	-	57	661,290	379,863	391,196	-
Disbursements:										
Personal services	-	-	-	-	-	-	-	-	-	-
Supplies	-	2,419	-	-	-	-	-	-	-	-
Other services and charges	-	5,887	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	494,343	426,763
Capital outlay	-	2,407	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	584	-	400	655,300	-	-	-
Total disbursements	-	10,713	-	584	-	400	655,300	-	494,343	426,763
Excess (deficiency) of receipts over disbursements	-	(1,983)	-	(3)	-	(343)	5,990	379,863	(103,147)	(426,763)
Cash and investments - ending	\$ 2,709	\$ 6,037	\$ 1,406	\$ 2,422	\$ 1,817	\$ 192	\$ 8,236	\$ 379,863	\$ 266,383	\$ -

TOWN OF PRINCE'S LAKES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	Wastewater SRF BONY	Sewage Utility Operating	Wastewater Depreciation	Wastewater Utility P&I Sinking	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility Depreciation	Water Utility Meter Deposit	Water Department Improvement	Totals
Cash and investments - beginning	\$ -	\$ 164,811	\$ 593,174	\$ 71,165	\$ 459,602	\$ 59,510	\$ 142,923	\$ 81,600	\$ 183,703	\$ 2,801,066
Receipts:										
Taxes	-	-	-	-	-	-	-	-	-	312,957
Licenses and permits	-	-	-	-	-	-	-	-	-	7,712
Intergovernmental	-	-	-	-	-	-	-	-	-	246,339
Charges for services	-	-	-	-	-	-	-	-	-	702
Fines and forfeits	-	-	-	-	-	-	-	-	-	30
Utility fees	-	871,463	-	-	794,640	-	-	4,300	-	1,670,403
Other receipts	30,165	52,149	55,000	250	9,109	-	60,000	-	-	2,409,225
Total receipts	30,165	923,612	55,000	250	803,749	-	60,000	4,300	-	4,647,368
Disbursements:										
Personal services	-	195,822	-	-	277,065	-	-	-	-	875,433
Supplies	-	-	-	-	-	-	-	-	-	32,180
Other services and charges	-	64,550	-	-	102,536	-	-	-	-	259,398
Debt service - principal and interest	-	391,196	-	-	-	-	-	-	-	1,312,302
Capital outlay	-	30,581	115,737	-	17,498	-	-	-	-	207,979
Utility operating expenses	-	281,956	-	-	302,180	-	-	-	-	584,136
Other disbursements	30,165	68,580	-	-	97,584	-	-	3,470	-	1,611,245
Total disbursements	30,165	1,032,685	115,737	-	796,863	-	-	3,470	-	4,882,673
Excess (deficiency) of receipts over disbursements	-	(109,073)	(60,737)	250	6,886	-	60,000	830	-	(235,305)
Cash and investments - ending	\$ -	\$ 55,738	\$ 532,437	\$ 71,415	\$ 466,488	\$ 59,510	\$ 202,923	\$ 82,430	\$ 183,703	\$ 2,565,761

TOWN OF PRINCE'S LAKES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Unsafe Building Fund	Rainy Day Fund	Cumulative Capl Imprv Cigarette Tax	Cumulative Capital Development	GRANT MONIES	Nonreverting Park Fund
Cash and investments - beginning	\$ 70,563	\$ 34,114	\$ 26,900	\$ 13,035	\$ 1,184	\$ 13,019	\$ 34,649	\$ 48,232	\$ 183	\$ 173
Receipts:										
Taxes	176,869	60,735	-	-	-	-	-	24,364	-	-
Licenses and permits	5,923	-	-	960	-	-	-	-	-	-
Intergovernmental	179,578	84,766	18,459	-	-	-	-	2,501	-	-
Charges for services	400	-	-	69	-	-	-	-	-	-
Fines and forfeits	-	-	-	494	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Other receipts	19,659	4,500	-	-	-	-	-	-	1,540,487	-
Total receipts	382,429	150,001	18,459	1,523	-	-	-	26,865	1,540,487	-
Disbursements:										
Personal services	300,547	85,978	-	-	-	-	-	-	-	-
Supplies	6,724	8,445	13,170	-	-	-	-	-	-	-
Other services and charges	59,837	28,240	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-	-
Capital outlay	9,400	12,486	-	-	-	-	7,516	13,286	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	1,540,487	-
Total disbursements	376,508	135,149	13,170	-	-	-	7,516	13,286	1,540,487	-
Excess (deficiency) of receipts over disbursements	5,921	14,852	5,289	1,523	-	-	(7,516)	13,579	-	-
Cash and investments - ending	\$ 76,484	\$ 48,966	\$ 32,189	\$ 14,558	\$ 1,184	\$ 13,019	\$ 27,133	\$ 61,811	\$ 183	\$ 173

TOWN OF PRINCE'S LAKES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Police Donation	Park & Recreation	Cdc-Walking Trail	Public Affairs/ Town Donation	Culvert Refund	K-9 Fund	Payroll	Wastewater Debt Service Reserve	Wastewater SRF Bond & Interest	Wastewater SRF Debt Service
Cash and investments - beginning	\$ 2,709	\$ 6,037	\$ 1,406	\$ 2,422	\$ 1,817	\$ 192	\$ 8,236	\$ 379,863	\$ 266,383	\$ -
Receipts:										
Taxes	-	7,657	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	786	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	565	-	-	780,291	-	-	-
Total receipts	-	8,443	-	565	-	-	780,291	-	-	-
Disbursements:										
Personal services	-	-	-	-	-	-	-	-	-	-
Supplies	-	1,268	-	410	-	-	-	-	-	-
Other services and charges	-	6,328	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	266,383	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	781,925	-	-	-
Total disbursements	-	7,596	-	410	-	-	781,925	-	266,383	-
Excess (deficiency) of receipts over disbursements	-	847	-	155	-	-	(1,634)	-	(266,383)	-
Cash and investments - ending	\$ 2,709	\$ 6,884	\$ 1,406	\$ 2,577	\$ 1,817	\$ 192	\$ 6,602	\$ 379,863	\$ -	\$ -

TOWN OF PRINCE'S LAKES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Wastewater SRF BONY	Sewage Utility Operating	Wastewater Depreciation	Wastewater Utility P&I Sinking	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility Depreciation	Water Utility Meter Deposit	Water Department Improvement	Totals
Cash and investments - beginning	\$ -	\$ 55,738	\$ 532,437	\$ 71,415	\$ 466,488	\$ 59,510	\$ 202,923	\$ 82,430	\$ 183,703	\$ 2,565,761
Receipts:										
Taxes	-	-	-	-	-	-	-	-	-	269,625
Licenses and permits	-	-	-	-	-	-	-	-	-	6,883
Intergovernmental	-	-	-	-	-	-	-	-	-	286,090
Charges for services	-	-	-	-	-	-	-	-	-	469
Fines and forfeits	-	-	-	-	-	-	-	-	-	494
Utility fees	-	937,148	-	-	882,285	-	-	6,250	-	1,825,683
Other receipts	28,467	270,073	-	352,107	6,693	-	60,000	-	-	3,062,842
Total receipts	28,467	1,207,221	-	352,107	888,978	-	60,000	6,250	-	5,452,086
Disbursements:										
Personal services	-	223,908	-	-	298,657	-	-	-	-	909,090
Supplies	-	-	-	-	-	-	-	-	-	30,017
Other services and charges	-	13,854	-	-	20,927	-	-	-	-	129,186
Debt service - principal and interest	-	-	-	279,900	-	-	-	-	-	546,283
Capital outlay	-	53,448	47,533	-	30,443	-	-	-	55,010	229,122
Utility operating expenses	-	255,403	-	-	402,031	-	-	-	-	657,434
Other disbursements	28,467	355,190	-	-	106,377	-	-	5,565	-	2,818,011
Total disbursements	28,467	901,803	47,533	279,900	858,435	-	-	5,565	55,010	5,319,143
Excess (deficiency) of receipts over disbursements	-	305,418	(47,533)	72,207	30,543	-	60,000	685	(55,010)	132,943
Cash and investments - ending	\$ -	\$ 361,156	\$ 484,904	\$ 143,622	\$ 497,031	\$ 59,510	\$ 262,923	\$ 83,115	\$ 128,693	\$ 2,698,704

TOWN OF PRINCE'S LAKES
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2013

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 3,145	\$ 114,881
Water	8,978	86,021
Governmental activities	<u>8,107</u>	<u>-</u>
Totals	<u>\$ 20,230</u>	<u>\$ 200,902</u>

TOWN OF PRINCE'S LAKES
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Water: PNC Equipment Finance	Water meter equipment	\$ 40,591	12/8/2008	12/8/2018
Total of annual lease payments		<u>\$ 40,591</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities: Notes and loans payable	Street Equipment purchase	\$ 42,252	\$ 11,586
Wastewater: General obligation bonds	Wastewater installation	5,340,000	378,068
Totals		<u>\$ 5,382,252</u>	<u>\$ 389,654</u>

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TOWN OF PRINCE'S LAKES
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

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	\$ 49,066
Buildings	121,507
Improvements other than buildings	62,459
Machinery, equipment, and vehicles	350,744
Total governmental activities	583,776
Wastewater:	
Land	65,635
Infrastructure	6,272,956
Buildings	137,830
Improvements other than buildings	3,510,431
Machinery, equipment, and vehicles	298,512
Total Wastewater	10,285,364
Water:	
Land	65,480
Infrastructure	5,566,055
Buildings	2,318,420
Improvements other than buildings	8,709,235
Machinery, equipment, and vehicles	1,088,956
Total Water	17,748,146
Total capital assets	\$ 28,617,286

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for the Major Federal Program

We have audited the Town of Prince's Lakes' (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of January 1, 2012 to December 31, 2013. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on the Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of January 1, 2012 to December 31, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2013-004. Our opinion on the major federal program is not modified with respect to these matters.

The Town's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

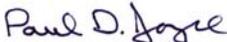
Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003 to be material weaknesses.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

October 2, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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.

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TOWN OF PRINCE'S LAKES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended December 31, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-12	Total Federal Awards Expended 12-31-13
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii					
East Lake Dam Reconstruction Project	Indiana Office of Community and Rural Affairs	14.228	DR1B-09-011	\$ 388,144	\$ 426,843
Northwest Lake			DR1B-09-013	332,698	-
Hants Lake Dam Reconstruction Project			DR1B-09-014	-	1,113,644
Total - CDBG - State-Administered CDBG Cluster				<u>720,842</u>	<u>1,540,487</u>
<u>Department of Justice</u>					
Bullet Proof Vest Partnership Program	Direct	16.607	FY2011	-	1,550
<u>Department of Transportation</u>					
Highway Safety Cluster					
State and Community Highway Safety					
BCC Operation Pullover	Johnson County	20.600	PT-12-11-04-33	145	-
<u>Environmental Protection Agency</u>					
Capitalization Grants for Clean Water State Revolving Funds					
SRF Loan No. WW096703 04	Indiana Finance Authority	66.458	CS18000110	30,165	28,467
Total federal awards expended				<u>\$ 751,152</u>	<u>\$ 1,570,504</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 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.

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 under 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 years ended December 31, 2012 and 2013:

Program Title	Federal CFDA Number	2012	2013
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	<u>\$ 720,842</u>	<u>\$ 1,540,487</u>

TOWN OF PRINCE'S LAKES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Program:

_____ Name of Federal Program or Cluster
CDBG - State-Administered CDBG Cluster

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 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to cash and investment balances, receipts, utility collections, disbursements, and payroll. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

Cash and Investment Balances: The Deputy Clerk-Treasurer provides the Clerk-Treasurer with monthly bank reconciliements for review; however, there was no documentation available to verify the review.

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

Receipts: Receipts, including utility collections, are collected by one of the three individuals (Clerk-Treasurer, Deputy Clerk-Treasurer, and Utility Billing Clerk) in the office. In addition, the Deputy Clerk-Treasurer usually prepares the deposit slip and posts the deposits at the end of the month. Therefore, the Deputy Clerk-Treasurer could end up writing receipts, preparing the deposit, and posting them to the ledger. The Clerk-Treasurer normally takes deposit to bank.

Disbursements: Water and wastewater vendor claims are not being approved by the Town Council. These claims appeared to have been omitted from the claim docket that the Town Council reviews and approves.

Payroll: There is one person who mainly handles payroll. The Deputy Clerk-Treasurer reviews hours worked on time cards and records the hours into the payroll software application. The Deputy Clerk-Treasurer also enters the approved rates of pay for each employee once the salary ordinance is approved by the Town Council. The Deputy Clerk-Treasurer posts payroll and generates the checks. Department heads pick up and distribute checks to employees. The Town Council and the Clerk-Treasurer approve total payroll by fund rather than a detail listing of each employee and their gross pay. The Deputy Clerk-Treasurer also prepares the bank reconciliation for all bank accounts at the end of the month.

2. Preparing Financial Statement: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statement and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including notes to the financial statement. The financial statement had a payroll and some state revolving funds omitted. There should be someone who enters information for the financial statement and another person who checks that it agrees with the ledger.

The failure to establish and maintain internal controls could enable material misstatements or irregularities to remain undetected.

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

"(c) The fiscal officer of a municipality may not draw a warrant or check for payment of a claim unless . . .

- (5) payment of the claim is allowed by the municipality's legislative body or the board having jurisdiction over allowance of payment of the claim."

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)

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

**FINDING 2013-002 - INTERNAL CONTROLS OVER PREPARATION
OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted numerous errors. The Town failed to report any grants in 2012 and did not report two grants in 2013 on their original SEFA. Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.

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

- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR1B-09-011, DR1B-09-013, and
DR1B-09-014

Pass-Through Entity: Indiana Office of Community and Rural Affairs

The Town has not established an effective internal control system, which would include monitoring activities of a paid consultant (Grant Administrator) to administer the grants and segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Cash Management, Suspension and Debarment, Reporting, and Subrecipient Monitoring. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The Town relies on the Grant Administrator to prepare cash drawdown reports, quarterly reports, checking for suspension and debarment, and monitoring subrecipients. The Town does not review cash draws or other reports prepared by the Grant Administrator for accuracy. The Town does not request suspension and debarment documentation to verify the Grant Administrator properly checked for these requirements. The Town does not verify that the subrecipients are monitored by the Grant Administrator.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

OMB Circular A-133, Subpart C, section .300 states in part:

"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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended that the Town establish controls to effectively monitor the activities of paid consultants to ensure compliance related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

FINDING 2013-004 - SUSPENSION AND DEBARMENT

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR1B-09-011, DR1B-09-013, and
DR1B-09-014

Pass-Through Entity: Indiana Office of Community and Rural Affairs

As stated in Finding 2013-003, the Town has not established an effective internal control system related to the grant agreement and the Suspension and Debarment compliance requirement.

The Town did not have procedures established to ensure that its subrecipient's, were not excluded, disqualified, or otherwise ineligible from federal procurement and nonprocurement programs (which are considered covered transactions) at the time of contract execution or during the period of project work. There were no policies indicating how a subrecipient's eligibility is verified and what documentation will be maintained to prove this. No documentation was provided for audit to show that the Town had determined the subrecipient's eligibility.

2 CFR, Subpart C-Responsibilities of Participants Regarding Transactions Doing Business With Other Persons, 180.300 states:

"What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

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

Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended that the Town establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the Town. The documents are presented as intended by the Town.



"Everybody should have a place to go fishin"

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-2 – Separate Accountability for ARRA Funding

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

Corrective Action: The Prince's Lakes Clerk-Treasurer 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. These procedures were implemented immediately after they were brought to our attention during the last audit.

Karen Harrison
Clerk-Treasurer
Town of Prince's Lakes
(317) 933-2163 ext. 6

Dated: 10-2-14

Signed: Karen W. Harrison



"Everybody should have a place to go fishin"

**TOWN OF PRINCE'S LAKES
CORRECTIVE ACTION PLAN**

Date: 10-2-14

Section II Findings

Finding 2013-001 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person: Karen Harrison
Contact Number: (317)-933-2163 ext. 6

Anticipated Completion Date: Immediately, we will put this process in place.

Corrective Action: The Prince's Lakes Clerk-Treasurer has implemented a plan to review the monthly bank reconciliation reports that are prepared by the Deputy Clerk-Treasurer and keep them in a file for the audit. Due to the small size of the town it is not feasible to hire the extra help necessary to separate some of the duties as completely as suggested.

Finding 2013-002 – INTERNAL CONTROLS OVER PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person: Karen Harrison
Contact Number: (317)-933-2163 ext. 6

Anticipated Completion Date: Immediately, we will put this process in place.

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 accounting of the finances to avoid risk of invalid transactions, inaccurate records and financial statements.

Section III Findings

Finding 2013-003 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: Housing and Urban Development
Federal Program: Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): DR1B-09-013, DR1B-09-011 ad DR1B-09-014
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Contact Person: Karen Harrison
Contact Number: (317)-933-2163 ext. 6

Anticipated Completion Date: Immediately, we will put this process in place.

Corrective Action: The Prince's Lakes Clerk-Treasurer has implemented a plan to establish controls to effectively monitor the activities of the paid consultants, including segregation of duties, to ensure compliance related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

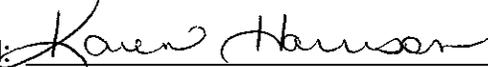
Finding 2013-004 – SUSPENSION AND DEBARMENT

Federal Agency: Housing and Urban Development
Federal Program: Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year: DR1B-09-013, DR1B-09-011 ad DR1B-09-014
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Contact Person: Karen Harrison
Contact Number: (317)-933-2163 ext. 6

Anticipated Completion Date:
Immediately, we will put this process in place.

Corrective Action: The Town of Prince's Lakes will, in the future, check for suspension and debarment for all sub-recipients and contractors. We have implemented a plan to establish controls to effectively monitor the activities of the paid consultants, including segregation of duties, to ensure compliance related to the grant agreement and all compliance requirements.

Signed: 

Titled: Clerk-Treasurer, Town of Prince's Lakes

Date: 10-2-14

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the Town. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.