

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

EXAMINATION REPORT

OF

CITY OF PRINCETON

GIBSON COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
06/03/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jayne Deckard	01-01-04 to 12-31-11
Mayor	Robert J. Hurst	02-12-05 to 12-31-11
President of the Common Council	Katherine Cowling	01-01-07 to 12-31-08



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Princeton (City), for the period of January 1, 2007 to December 31, 2007. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

April 21, 2008

CITY OF PRINCETON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 1,401,994	\$ 2,651,233	\$ 2,655,450	\$ 1,397,777
Motor Vehicle Highway	680,570	372,373	596,685	456,258
Economic Development Income Tax	2,159,310	906,973	807,908	2,258,375
Local Road and Street	52,674	34,804	70,000	17,478
Park and Recreation	301,846	343,341	326,331	318,856
Law Enforcement Continuing Education	10,549	6,959	500	17,008
Building Demolition	120,759	10,667	14,850	116,576
Plan Commission	15,636	48,380	37,057	26,959
Police Narcotic	2,196	-	-	2,196
Federal Seizure	5,488	13,682	-	19,170
Police K-9	1,388	-	-	1,388
Rainy Day	169,644	124,325	66,400	227,569
USDA Redevelopment Grant	917	24,757	20,000	5,674
Donation	656	15,956	9,711	6,901
Fire Truck Fund	51,402	52,684	73,366	30,720
Fire Station Lease Rental	94,572	197,673	179,000	113,245
Cumulative Capital Improvement	38,565	40,107	9,341	69,331
Cumulative Capital Development	33,525	74,012	75,916	31,621
Proprietary Funds:				
Water Utility - Operating	274,186	1,759,995	1,983,165	51,016
Water Utility - Bond and Interest	108,189	373,200	372,407	108,982
Water Utility - Debt Service Reserve	332,285	54,000	-	386,285
Water Utility - Customer Deposit	205,525	42,615	58,532	189,608
Water Utility - Improvement	157,977	4,267	54,000	108,244
Wastewater Utility - Operating	166,832	2,021,579	1,891,077	297,334
Wastewater Utility - Bond and Interest	120,644	222,640	219,647	123,637
Wastewater Utility - Debt Service Reserve	199,500	-	-	199,500
Wastewater Utility - Improvement	1,000,000	36,405	-	1,036,405
Fiduciary Funds:				
Police Officers' Pension	542,378	297,760	260,685	579,453
Firefighters' Pension	463,137	210,264	183,839	489,562
Insurance Trust	4,138	793,033	765,543	31,628
Excess Levy	-	49,165	-	49,165
Payroll	39,748	3,145,268	3,147,247	37,769
Totals	<u>\$ 8,756,230</u>	<u>\$ 13,928,117</u>	<u>\$ 13,878,657</u>	<u>\$ 8,805,690</u>

The accompanying notes are an integral part of the financial information.

CITY OF PRINCETON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater and urban redevelopment and housing.

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (Indiana Code 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the 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.

CITY OF PRINCETON
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

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

1. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the 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% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

2. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

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

CITY OF PRINCETON
NOTES TO FINANCIAL INFORMATION
(Continued)

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

3. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

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

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

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

CITY OF PRINCETON
NOTES TO FINANCIAL INFORMATION
(Continued)

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and fire-fighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2007, 2006, and 2005, were \$191,430, \$198,890, and \$170,947, respectively, equal to the required contributions for each year.

Note 7. Subsequent Events

The City has been approved for a \$450,000 Office of Community and Rural Affairs grant for construction of new sewer lines and a \$400,000 Indiana Economic Development Corporation Grant for new water lines. In addition, construction funded in part by a Community Development Block Grant in the amount of \$248,972 is continuing for the Construction of Facilities to House Residential/Waiver Services project.

CITY OF PRINCETON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2007

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

General infrastructure assets completed in the current and prior years to 2001 have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 127,997
Buildings	3,006,781
Improvements other than buildings	1,924,522
Machinery and equipment	<u>2,183,214</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 7,242,514</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 147,450
Buildings	1,943,684
Improvements other than buildings	4,022,357
Machinery and equipment	<u>312,169</u>
 Total Water Utility capital assets	 <u>6,425,660</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	765,500
Buildings	4,696,649
Improvements other than buildings	18,621,092
Machinery and equipment	<u>3,410,062</u>
 Total Wastewater Utility capital assets	 <u>27,493,303</u>
 Total business-type activities capital assets	 <u>\$ 33,918,963</u>

CITY OF PRINCETON
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Fire Station	\$ 495,000	\$ 183,000
Sewer Project (paid from EDIT funds)	1,745,000	209,500
Sanitation Truck	95,250	26,602
Isuzu Street Sweeper	82,902	30,374
2006 Exmark Mower	1,750	1,792
2006 Ford Explorer	9,079	9,683
2 - 2007 Trailblazers	15,126	16,148
Bonds payable:		
General obligation bonds:		
Fire Truck	<u>155,000</u>	<u>66,300</u>
Total governmental activities debt	<u>\$ 2,599,107</u>	<u>\$ 543,399</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
2002 Waterworks Refunding Bonds	\$ 760,000	\$ 155,466
2005 Waterworks Refunding Bonds	<u>3,060,000</u>	<u>142,887</u>
Total Water Utility	<u>3,820,000</u>	<u>298,353</u>
Wastewater Utility		
Revenue bonds:		
2003 Wastewater Refunding Bonds	<u>1,380,000</u>	<u>218,586</u>
Total business-type activities debt	<u>\$ 5,200,000</u>	<u>\$ 516,939</u>

CITY OF PRINCETON
EXAMINATION RESULT AND COMMENT

COLLECTION OF AMOUNTS DUE (Applies to City, Water and Wastewater Utilities)

We noted a loss in excess of 40% again in the amount of water treated by the Utility as compared to water consumption billed for the year 2007. Officials and employees began monitoring the loss in late 2003. The loss is slightly less in 2007 as compared to 2006. Water employees have found and repaired numerous leaks. Water line leaks were discovered during the South Main Project that was completed in 2007. No further explanation is available, other than the distribution system is antiquated. Wastewater charges are computed on water consumption, so that Utility is also losing revenue. A similar comment was in several prior reports.

In addition, private fire protection fees in the amount of \$3,074, an accumulation of over seven years of unpaid fees, are due from one fire protection customer as of December 31, 2007. No follow-up has been performed by the City.

No payments were received, during 2007, relative to the agreement with Tom Perry, Dispatcher. Mr. Perry's salary was overpaid in prior years and he agreed to make monthly payments, until the total amount was repaid. No evidence of follow-up in this matter was made available.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF PRINCETON
EXIT CONFERENCE

The contents of this report were discussed on April 22, 2008, with Robert J. Hurst, Mayor; and Jayne Deckard, Clerk-Treasurer. The officials concurred with our finding.