

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, 2014 to December 31, 2014



FILED
03/30/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mindy Brines	01-01-12 to 12-31-19
Mayor	Robert Hurst Bradley D. Schmitt	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works	Robert Hurst Bradley D. Schmitt	01-01-14 to 12-31-15 01-01-16 to 12-31-17
President of the Common Council	Steve Taylor Jan E. Ballard	01-01-14 to 12-31-15 01-01-16 to 12-31-17
Superintendent of Water Distribution	J.B. Brines Jeff Smith	01-01-14 to 12-31-15 01-01-16 to 12-31-17
Superintendent of Water Treatment	Dennis Gray J.B. Brines	01-01-14 to 12-31-15 01-01-16 to 12-31-17
Superintendent of Wastewater Utility	Charlie Woodruff Lynn Elpers	01-01-14 to 12-31-15 01-01-16 to 12-31-17



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Princeton (City), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement as listed in the Table of Contents.

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 from 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 City'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 City'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 to the financial statement, the City 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 City for the year ended December 31, 2014.

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 City for the year ended December 31, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

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 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.

Other Information

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 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 2, 2017, 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* in considering the City's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

February 2, 2017



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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 CITY OF PRINCETON, GIBSON 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 City of Princeton (City), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated February 2, 2017, wherein we noted the City 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 City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

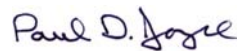
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free from 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*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 2, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the City. The financial statement 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, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
GENERAL FUND	\$ 685,470	\$ 5,387,013	\$ 5,232,305	\$ 840,178
MVH	338,126	652,953	462,349	528,730
LOCAL ROAD AND STREET	34,710	34,584	12,877	56,417
EDIT DISTRIBUTION	385,454	892,399	463,200	814,653
DEMOLITION OF BUILDING	120,543	22,504	90,623	52,424
PLANNING COMMISSION	10,578	70,380	48,235	32,723
POLICE NARCOTIC FUND	947	-	-	947
STELLAR GRANT	50	2,663,591	2,663,591	50
LAW ENF. CONT. ED. FUND	10,416	9,401	9,845	9,972
PARK AND RECREATION	354,456	315,555	376,935	293,076
RAINY DAY	3,576	-	-	3,576
POLICE K-9	1,388	-	-	1,388
FIRE TERRITORY OPERATING	723,175	4,153,038	3,808,511	1,067,702
CCDF-CUM CAP DEV FUND	147,769	86,602	64,791	169,580
STELLAR MATCH	449,209	519,483	203,535	765,157
2013 BOND	5,873,071	680,476	4,657,837	1,895,710
BAN 2013	811,944	48,720	59,707	800,957
CUM CAP IMPROVEMENT	12,182	22,868	4,538	30,512
FIRE TERRITORY EQUIP.FUND	558,760	686,791	420,000	825,551
POLICE PENSION	664,735	348,489	359,564	653,660
FIRE PENSION	697,669	299,779	301,476	695,972
FEDERAL SEIZURE FUND	379	2,076	-	2,455
DONATION FUND	4,154	42,645	24,227	22,572
FIRE TERRITORY GRANT FUND	337	-	-	337
USDA REDEVELOP.(FEDERAL)	39,606	9,112	14,250	34,468
PAYROLL	17,305	5,028,861	5,014,610	31,556
CLEARING HOUSE ACCOUNT	13,437	5,689,900	5,687,868	15,469
INSURANCE TRUST FUND	52,995	974,521	973,691	53,825
SEWAGE OPERATING	570,600	2,969,831	2,624,859	915,572
SEWAGE BOND & INTEREST	24,865	288,600	287,837	25,628
SEW DEBT SERV RESERVE	138,000	-	-	138,000
SEWAGE CASH CHANGE	250	-	-	250
SEWAGE IMPROVEMENT FUND	36,405	-	-	36,405
WATER OPERATING	137,477	2,483,300	2,545,802	74,975
GUARANTEE METER	138,503	37,253	33,939	141,817
BOSHOKU IEDC WATER GRANT	7,288	-	-	7,288
WATER CASH CHANGE	250	-	-	250
2012 WATER BD & IN	182,701	345,600	341,250	187,051
WATER DEBT SER RESERVE	249,000	-	-	249,000
ONB/JOHNSON CONTROLS	163,323	227,668	277,157	113,834
2010 WATER BOND AND INT.	173,501	219,532	247,856	145,177
2010 WATER DEBT SER. RES.	181,125	-	-	181,125
Totals	<u>\$ 14,015,729</u>	<u>\$ 35,213,525</u>	<u>\$ 37,313,265</u>	<u>\$ 11,915,989</u>

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, electric, gas, storm water, trash, aviation, 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 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. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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 City.

Licenses and permits. Amounts received from businesses, occupations, or non-businesses 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF PRINCETON
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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. Amounts received 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. Amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

Other receipts. Amounts received from various sources, including, but 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. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

CITY OF PRINCETON
NOTES TO FINANCIAL STATEMENT
(Continued)

Debt service - principal and interest. Amounts disbursed for 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. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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.

CITY OF PRINCETON
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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, the following: 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.

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 a cost-sharing 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

CITY OF PRINCETON
NOTES TO FINANCIAL STATEMENT
(Continued)

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
One North Capitol, 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.

CITY OF PRINCETON
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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
One North Capitol, 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.

Note 7. Subsequent Events

On October 24, 2012, the City of Princeton approved a Bond Anticipation Note (BAN), in the amount of \$1,480,000. The purpose of the BAN was to help fund projects related to the Stellar Grant.

On December 28, 2016, the City Redevelopment Authority issued Lease Rental Revenue Bonds in the amount of \$785,000. The proceeds of these bonds were used to purchase the city hall building from the City. The City used the proceeds from the sale of the building to refund the 2012 BAN. The City of Princeton Redevelopment Authority then entered into a lease rental agreement with the City of Princeton Redevelopment Commission to lease the city hall building. Lease rental payments are to begin July 1, 2017, and continue until January 1, 2027.

OTHER INFORMATION - UNAUDITED

The City's Annual Financial 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 City's Annual Financial Report 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 other 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, 2014

	GENERAL FUND	MVH	LOCAL ROAD AND STREET	EDIT DISTRIBUTION	DEMOLITION OF BUILDING	PLANNING COMMISSION	POLICE NARCOTIC FUND	STELLAR GRANT
Cash and investments - beginning	\$ 685,470	\$ 338,126	\$ 34,710	\$ 385,454	\$ 120,543	\$ 10,578	\$ 947	\$ 50
Receipts:								
Taxes	1,418,208	263,853	-	-	22,175	44,534	-	-
Licenses and permits	85,944	-	-	-	-	5,162	-	-
Intergovernmental receipts	353,649	371,339	34,584	888,627	329	662	-	2,663,591
Charges for services	436,311	13,267	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	3,092,901	4,494	-	3,772	-	20,022	-	-
Total receipts	<u>5,387,013</u>	<u>652,953</u>	<u>34,584</u>	<u>892,399</u>	<u>22,504</u>	<u>70,380</u>	<u>-</u>	<u>2,663,591</u>
Disbursements:								
Personal services	1,796,924	294,303	-	-	-	40,852	-	-
Supplies	74,552	41,832	8,748	-	-	2,775	-	-
Other services and charges	303,134	38,130	-	85,050	-	4,608	-	1,933,646
Debt service - principal and interest	-	-	-	142,000	-	-	-	-
Capital outlay	33,439	83,820	-	144,803	90,623	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	3,024,256	4,264	4,129	91,347	-	-	-	729,945
Total disbursements	<u>5,232,305</u>	<u>462,349</u>	<u>12,877</u>	<u>463,200</u>	<u>90,623</u>	<u>48,235</u>	<u>-</u>	<u>2,663,591</u>
Excess (deficiency) of receipts over disbursements	<u>154,708</u>	<u>190,604</u>	<u>21,707</u>	<u>429,199</u>	<u>(68,119)</u>	<u>22,145</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 840,178</u>	<u>\$ 528,730</u>	<u>\$ 56,417</u>	<u>\$ 814,653</u>	<u>\$ 52,424</u>	<u>\$ 32,723</u>	<u>\$ 947</u>	<u>\$ 50</u>

CITY OF PRINCETON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	LAW ENF. CONT. ED. FUND	PARK AND RECREATION	RAINY DAY	POLICE K-9	FIRE TERRITORY OPERATING	CCDF-CUM CAP DEV FUND	STELLAR MATCH
Cash and investments - beginning	\$ 10,416	\$ 354,456	\$ 3,576	\$ 1,388	\$ 723,175	\$ 147,769	\$ 449,209
Receipts:							
Taxes	-	216,523	-	-	3,613,368	82,733	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	3,217	-	-	16,771	1,229	519,483
Charges for services	-	90,591	-	-	-	-	-
Fines and forfeits	396	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	9,005	5,224	-	-	522,899	2,640	-
Total receipts	9,401	315,555	-	-	4,153,038	86,602	519,483
Disbursements:							
Personal services	-	230,118	-	-	1,938,298	-	-
Supplies	9,845	24,084	-	-	37,967	656	-
Other services and charges	-	81,229	-	-	79,374	64,135	230
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	33,445	-	-	64,092	-	24,760
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	8,059	-	-	1,688,780	-	178,545
Total disbursements	9,845	376,935	-	-	3,808,511	64,791	203,535
Excess (deficiency) of receipts over disbursements	(444)	(61,380)	-	-	344,527	21,811	315,948
Cash and investments - ending	\$ 9,972	\$ 293,076	\$ 3,576	\$ 1,388	\$ 1,067,702	\$ 169,580	\$ 765,157

CITY OF PRINCETON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	2013 BOND	BAN 2013	CUM CAP IMPROVEMENT	FIRE TERRITORY EQUIP.FUND	POLICE PENSION	FIRE PENSION	FEDERAL SEIZURE FUND
Cash and investments - beginning	\$ 5,873,071	\$ 811,944	\$ 12,182	\$ 558,760	\$ 664,735	\$ 697,669	\$ 379
Receipts:							
Taxes	-	-	-	265,558	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	22,865	1,233	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	680,476	48,720	3	420,000	348,489	299,779	2,076
Total receipts	<u>680,476</u>	<u>48,720</u>	<u>22,868</u>	<u>686,791</u>	<u>348,489</u>	<u>299,779</u>	<u>2,076</u>
Disbursements:							
Personal services	-	-	-	-	259,564	176,476	-
Supplies	-	-	4,538	-	-	-	-
Other services and charges	-	-	-	-	100,000	125,000	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	4,657,837	59,707	-	420,000	-	-	-
Total disbursements	<u>4,657,837</u>	<u>59,707</u>	<u>4,538</u>	<u>420,000</u>	<u>359,564</u>	<u>301,476</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(3,977,361)</u>	<u>(10,987)</u>	<u>18,330</u>	<u>266,791</u>	<u>(11,075)</u>	<u>(1,697)</u>	<u>2,076</u>
Cash and investments - ending	<u>\$ 1,895,710</u>	<u>\$ 800,957</u>	<u>\$ 30,512</u>	<u>\$ 825,551</u>	<u>\$ 653,660</u>	<u>\$ 695,972</u>	<u>\$ 2,455</u>

CITY OF PRINCETON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	DONATION FUND	FIRE TERRITORY GRANT FUND	USDA REDEVELOP.(FEDERAL)	PAYROLL	CLEARING HOUSE ACCOUNT	INSURANCE TRUST FUND	SEWAGE OPERATING
Cash and investments - beginning	\$ 4,154	\$ 337	\$ 39,606	\$ 17,305	\$ 13,437	\$ 52,995	\$ 570,600
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	53	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	2,531	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	71,259
Penalties	-	-	-	-	-	-	26,826
Other receipts	42,645	-	9,112	5,028,808	5,687,369	974,521	2,871,746
Total receipts	<u>42,645</u>	<u>-</u>	<u>9,112</u>	<u>5,028,861</u>	<u>5,689,900</u>	<u>974,521</u>	<u>2,969,831</u>
Disbursements:							
Personal services	-	-	-	4,536,417	-	-	814,160
Supplies	22,071	-	-	-	-	-	-
Other services and charges	656	-	-	-	-	-	12,000
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	1,500	-	14,250	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	1,055,585
Other disbursements	-	-	-	478,193	5,687,868	973,691	743,114
Total disbursements	<u>24,227</u>	<u>-</u>	<u>14,250</u>	<u>5,014,610</u>	<u>5,687,868</u>	<u>973,691</u>	<u>2,624,859</u>
Excess (deficiency) of receipts over disbursements	<u>18,418</u>	<u>-</u>	<u>(5,138)</u>	<u>14,251</u>	<u>2,032</u>	<u>830</u>	<u>344,972</u>
Cash and investments - ending	<u>\$ 22,572</u>	<u>\$ 337</u>	<u>\$ 34,468</u>	<u>\$ 31,556</u>	<u>\$ 15,469</u>	<u>\$ 53,825</u>	<u>\$ 915,572</u>

CITY OF PRINCETON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	SEWAGE BOND & INTEREST	SEW DEBT SERV RESERVE	SEWAGE CASH CHANGE	SEWAGE IMPROVEMENT FUND	WATER OPERATING	GUARANTEE METER	BOSHOKU IEDC WATER GRANT
Cash and investments - beginning	\$ 24,865	\$ 138,000	\$ 250	\$ 36,405	\$ 137,477	\$ 138,503	\$ 7,288
Receipts:							
Taxes	-	-	-	-	3	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	73,780	36,885	-
Penalties	-	-	-	-	11,849	-	-
Other receipts	288,600	-	-	-	2,397,668	368	-
Total receipts	288,600	-	-	-	2,483,300	37,253	-
Disbursements:							
Personal services	-	-	-	-	628,634	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	12,000	-	-
Debt service - principal and interest	287,837	-	-	-	-	-	-
Capital outlay	-	-	-	-	250	-	-
Utility operating expenses	-	-	-	-	937,960	33,939	-
Other disbursements	-	-	-	-	966,958	-	-
Total disbursements	287,837	-	-	-	2,545,802	33,939	-
Excess (deficiency) of receipts over disbursements	763	-	-	-	(62,502)	3,314	-
Cash and investments - ending	\$ 25,628	\$ 138,000	\$ 250	\$ 36,405	\$ 74,975	\$ 141,817	\$ 7,288

CITY OF PRINCETON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	WATER CASH CHANGE	2012 WATER BD & IN	WATER DEBT SER RESERVE	ONB/JOHNSON CONTROLS	2010 WATER BOND AND INT.	2010 WATER DEBT SER. RES.	Totals
Cash and investments - beginning	\$ 250	\$ 182,701	\$ 249,000	\$ 163,323	\$ 173,501	\$ 181,125	\$ 14,015,729
Receipts:							
Taxes	-	-	-	-	-	-	5,926,955
Licenses and permits	-	-	-	-	-	-	91,159
Intergovernmental receipts	-	-	-	-	-	-	4,877,579
Charges for services	-	-	-	-	-	-	542,700
Fines and forfeits	-	-	-	-	-	-	396
Utility fees	-	-	-	-	-	-	181,924
Penalties	-	-	-	-	-	-	38,675
Other receipts	-	345,600	-	227,668	219,532	-	23,554,137
Total receipts	-	345,600	-	227,668	219,532	-	35,213,525
Disbursements:							
Personal services	-	-	-	-	-	-	10,715,746
Supplies	-	-	-	-	-	-	227,068
Other services and charges	-	-	-	-	-	-	2,839,192
Debt service - principal and interest	-	341,250	-	277,157	247,856	-	1,296,100
Capital outlay	-	-	-	-	-	-	490,982
Utility operating expenses	-	-	-	-	-	-	2,027,484
Other disbursements	-	-	-	-	-	-	19,716,693
Total disbursements	-	341,250	-	277,157	247,856	-	37,313,265
Excess (deficiency) of receipts over disbursements	-	4,350	-	(49,489)	(28,324)	-	(2,099,740)
Cash and investments - ending	\$ 250	\$ 187,051	\$ 249,000	\$ 113,834	\$ 145,177	\$ 181,125	\$ 11,915,989

CITY OF PRINCETON
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2014

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ -	\$ 243,599
Water	-	154,864
Governmental activities	<u>322,404</u>	<u>29,500</u>
Totals	<u>\$ 322,404</u>	<u>\$ 427,963</u>

CITY OF PRINCETON
SCHEDULE OF LEASES AND DEBT
December 31, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Ally Contract Processing Center	Police Cars	\$ 24,760	5/30/2013	5/30/2015
Old National Bank	Economic Development Income Tax Lease Rental Bond of 2013	115,000	1/15/2014	1/15/2033
TCF Financing Equipment Finance, Inc.	Sanitation Truck	<u>32,556</u>	2/6/2013	2/6/2017
Total governmental activities		<u>172,316</u>		
Water:				
Old National Bank	Water Meter Upgrade	<u>227,668</u>	7/1/2011	7/1/2025
Total of annual lease payments		<u>\$ 399,984</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable	Bond Anticipation Notes of 2012	\$ 1,480,000	\$ 12,950
Wastewater:			
Revenue bonds	Sewage Works Refunding Revenue Bond 2012	<u>845,000</u>	<u>147,400</u>
Water:			
Revenue bonds	Waterworks Refunding Revenue Bond 2012	1,935,000	326,981
Revenue bonds	Taxable Waterworks Revenue Bonds 2010	38,097	38,537
Revenue bonds	Waterworks Revenue Bonds 2010	<u>2,392,000</u>	<u>152,628</u>
Total Water		<u>4,365,097</u>	<u>518,146</u>
Totals		<u>\$ 6,690,097</u>	<u>\$ 678,496</u>

CITY OF PRINCETON
SCHEDULE OF CAPITAL ASSETS
December 31, 2014

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	2,565,891
Improvements other than buildings	6,700,876
Machinery, equipment, and vehicles	4,223,373
Total governmental activities	15,938,539
Wastewater:	
Land	13,592,047
Buildings	3,059,188
Improvements other than buildings	7,484,293
Machinery, equipment, and vehicles	4,102,693
Total Wastewater	28,238,221
Water:	
Land	154,850
Buildings	1,936,684
Improvements other than buildings	8,039,083
Machinery, equipment, and vehicles	363,802
Total Water	10,494,419
Total capital assets	\$ 54,671,179

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Princeton's (City) 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 each of its major federal programs for the year ended December 31, 2014. 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.

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 each of the City's major federal programs 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

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

Report on Internal Control over Compliance


Management of the City 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 City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each 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 City'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 a material weakness.

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 a 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 2014-001 to be a material weakness.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The City'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

February 2, 2017

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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 City. The schedule and notes are presented as intended by the City.

CITY OF PRINCETON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

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	Pass-Through To Subrecipient	Total Federal Awards Expended
<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					
Indiana Housing & Community Development Authority (IHCDA)					
Theater/Community Center		14.228	DR2SC-012-003	\$ -	\$ 1,492,286
Bicentennial Plaza		14.228	DR2SC-013-001	-	441,361
Total - CDBG - State-Administered CDBG Cluster				-	1,933,647
Total - Department of Housing and Urban Development				-	1,933,647
<u>Department of Justice</u>					
Bulletproof Vest Partnership Program					
Police BPV(Vest) Partnership					
Direct Grant					
		16.607		-	3,238
Total - Department of Justice				-	3,238
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction					
Indiana Department of Transportation					
2nd Avenue Extension Project		20.205	DES#0901282	-	34,068
Streetscapes Phase I		20.205	DES#1298673	-	157,445
Streetscapes Phase II		20.205	DES#1298674	-	157,445
Toyota Trail		20.205	DES#1298675	-	64,408
Multi-Use Trail		20.205	DES#0902247	-	15,544
Gateway		20.205	DES#1298676	-	70,522
Trail Projects		20.205	DES#1298677	-	112,585
Trail Projects		20.205	DES#1298678	-	113,469
Total - Highway Planning and Construction Cluster				-	725,486
Highway Safety Cluster					
State and Community Highway Safety					
Police Operation Pull Over Grant					
Indiana Criminal Justice Institute					
		20.600	18X9204020IN14	-	5,816
Total - Highway Safety Cluster				-	5,816
Total - Department of Transportation				-	731,302
Total federal awards expended				\$ -	\$ 2,668,187

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

CITY OF PRINCETON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2014. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

Note 2. *Summary of Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, 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:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

Identification of Major Programs:

_____ Name of Federal Program or Cluster _____
CDBG - State-Administered CDBG Cluster
Highway Planning and Construction Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

No matters are reportable.

CITY OF PRINCETON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-001 - REPORTING

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): DR2SC-012-003
Pass-Through Entity: Indiana Housing & Community Development Authority (IHEDA)

Condition

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The City did not have adequate internal controls in place to ensure the proper reports were filed timely. The performance report required for project number DR2SC-012-003 was filed by the City after a compliance review was conducted by the pass-through agency and the agency determined the report had not been submitted.

Context

The sole performance report required for project number DR2SC-012-003 was filed late.

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls over the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

CITY OF PRINCETON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.

City of Princeton

Clerk-Treasurer
P.O. BOX 15
PRINCETON, IN 47670
(812) 385-3283

Corrective Action Plan

FINDING 2014-001

Contact Person Responsible for Corrective Action: Mindy Brines, Clerk Treasurer
Contact Phone Number: (812)385-3283

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

The Clerk-Treasurer in conjunction with the Mayor will monitor grant reporting requirements. We will implement control procedures to ensure all reporting requirements are met and completed promptly.

Anticipated Completion Date:
Started February 2, 2017

Mindy Brines
(Signature)

Clerk Treasurer
(Title)

2/2/2017
(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.