

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

EXAMINATION REPORT
OF
GREENCASTLE TOWNSHIP
PUTNAM COUNTY, INDIANA
January 1, 2003 to December 31, 2005



FILED
12/11/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Thelma Bumgardner	01-01-03 to 12-31-06
Chairman of the Township Board	Thomas Graffis Karen Ambler	01-01-03 to 12-31-05 01-01-06 to 12-31-06



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF GREENCASTLE TOWNSHIP, PUTNAM COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of Greencastle Township (Township), for the period of January 1, 2003 to December 31, 2005. The Township's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances 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 schedules referred to above present fairly, in all material respects, the cash transactions of the Township for the years ended December 31, 2003, 2004, and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 10, 2006

GREENCASTLE TOWNSHIP, PUTNAM COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2003, 2004, And 2005

	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
Governmental Funds:				
General	\$ 1,490	\$ 20,768	\$ 25,498	\$ (3,240)
Dog	936	432	591	777
Township Assistance	74,122	9,580	46,885	36,817
Firefighting	97,880	271	30,000	68,151
Cumulative Fire	69,015	3,755	-	72,770
Totals	<u>\$ 243,443</u>	<u>\$ 34,806</u>	<u>\$ 102,974</u>	<u>\$ 175,275</u>

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ (3,240)	\$ 42,977	\$ 32,090	\$ 7,647
Dog	777	620	627	770
Township Assistance	36,817	21,037	26,344	31,510
Firefighting	68,151	45,550	35,000	78,701
Rainy Day	-	3,260	-	3,260
Cumulative Fire	72,770	57,107	-	129,877
Totals	<u>\$ 175,275</u>	<u>\$ 170,551</u>	<u>\$ 94,061</u>	<u>\$ 251,765</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 7,647	\$ 23,457	\$ 29,524	\$ 1,580
Dog	770	598	470	898
Township Assistance	31,510	20,383	38,261	13,632
Firefighting	78,701	22,673	30,000	71,374
Rainy Day	3,260	-	-	3,260
Cumulative Fire	129,877	32,220	-	162,097
Totals	<u>\$ 251,765</u>	<u>\$ 99,331</u>	<u>\$ 98,255</u>	<u>\$ 252,841</u>

The accompanying notes are an integral part of the schedules.

GREENCASTLE TOWNSHIP, PUTNAM COUNTY
NOTES TO SCHEDULES

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, and general administrative services.

Note 2. Fund Accounting

The Township 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 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 Township in June and December. 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% 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 Township 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 Township 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.

GREENCASTLE TOWNSHIP, PUTNAM COUNTY
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The following prescribed forms were not in use:

General Form 369, Capital Asset Ledger
Township Trustee's Receipt Form 16
General Form 350, Register of Investments

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

INTEREST ON INVESTMENTS

Interest earned on investments was automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CONDITION OF RECORDS

- (1) Record balances were not reconciled to depository balances. The Township maintains multiple checking accounts and \$2,000 of local tax distributions to be deposited in the Township Assistance banking account was inadvertently deposited in the Cumulative Fire Fund checking account.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

- (2) There were a considerable number of posting errors. These errors included receipts not posted and receipts posted two times; checks not recorded in the proper amounts or not recorded at all; and interest not posted or posted for the incorrect amount. Paychecks were recorded at gross in the all funds column instead of the correct net amount. Mathematical errors were found when footing the ledger. The ledger does not crossfoot. Year-to-date receipt, disbursement and balance information was incorrect in the ledger.

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 Townships, Chapter 13)

- (3) When the Trustee cashed a certificate of deposit, she added that amount to the ledger, not realizing that the certificate of deposit was already part of the cash being accounted for in the ledger which caused the Township General Fund to be overdrawn \$3,240 at December 31, 2003.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

GREENCASTLE TOWNSHIP, PUTNAM COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

Information presented for audit did not indicate an inventory or record of capital assets using Form 369.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Township Assistance	2003	<u>\$ 6,085</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

PAYROLL DEDUCTIONS

Payments to the Township Board were made without payroll deductions for taxes.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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

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

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

GREENCASTLE TOWNSHIP, PUTNAM COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The federal Wage and Tax Statements (Form W-2) and the federal Employer's Quarterly Federal Tax Returns (Form 941) were not properly prepared. The amount of withholdings was overstated on both.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

GREENCASTLE TOWNSHIP, PUTNAM COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 10, 2006, with Thelma Bumgardner, Trustee;
and Linda Gregory, Clerk.