

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

EXAMINATION REPORT

OF

CITY OF GREENCASTLE

PUTNAM COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
05/16/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Teresa P. Glenn	01-01-04 to 12-31-07
Mayor	Nancy A. Michael	01-01-04 to 12-31-07
President of the Board of Public Works	Nancy A. Michael	01-01-06 to 12-31-07
President of the Common Council	Robert P. Sedlack John A. Lanie	01-01-06 to 12-31-06 01-01-07 to 12-31-07
Superintendent of the Water Utility	Terry L. Dale	01-01-06 to 12-31-07
Superintendent of the Wastewater Utility	Michael R. Neese George W. Russell	01-01-06 to 08-31-06 09-01-06 to 12-31-07
Water Utility Office Manager	Barbara J. Hathaway	01-01-06 to 12-31-07
Wastewater Utility Office Manager	Madonna A. Gose	01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Greencastle (City), for the period of January 1, 2006 to December 31, 2006. 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, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

April 25, 2007

CITY OF GREENCASTLE
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, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 295,274	\$ 3,818,063	\$ 3,353,444	\$ 759,893
Motor Vehicle Highway	289,738	644,368	647,926	286,180
Local Road and Street	163,367	46,129	85,583	123,913
Park and Recreation	306,963	256,917	460,545	103,335
Cemetery Operating	83,732	181,455	209,364	55,823
Law Enforcement Continuing Education	12,530	3,250	-	15,780
Park Nonreverting Basketball	17,894	13,718	13,191	18,421
Park Nonreverting Softball	23,229	34,348	23,939	33,638
IRIS Donation	1,006	-	1,006	-
Economic Development Operating	18,494	566	-	19,060
RICO Law Enforcement	2,777	-	-	2,777
Riverboat	186,626	62,173	-	248,799
State Grant	2,500	-	2,500	-
Rainy Day	194,684	-	-	194,684
Hazmat Nonreverting	329	-	-	329
PEG Access Account	3,234	-	1,854	1,380
Cemetery Ground Improvement	47,497	30,428	22,905	55,020
Donations	125,801	37,016	55,055	107,762
Fire Department Service Charge Account	11,216	2,187	3,542	9,861
Tax Increment Allocation	1,498,316	687,800	253,308	1,932,808
Tree Grant	-	600	-	600
General Obligation Bond	38,494	6,607	41,315	3,786
Redevelopment Bond Sinking	65,298	233,453	241,765	56,986
Park Bond Sinking	1,830	156,922	155,223	3,529
Redevelopment Debt Service Reserve	203,187	8,952	3,310	208,829
Cumulative Capital Improvement	188,755	38,509	13,415	213,849
Cumulative Capital Development	537,332	174,252	495,763	215,821
Cumulative Capital Improvement Levy	165,613	78,522	47,762	196,373
Park Nonreverting Capital	52,683	32,319	41,160	43,842
City Hall Nonreverting	158,921	1,019	10,870	149,070
CEDIT BAN Revenue 2000	27,555	-	27,555	-
Economic Development Income Tax	913,042	726,621	817,159	822,504
Big Walnut Park Project	-	1,028	-	1,028
Industrial Development	325,895	27,682	139,119	214,458
Redevelopment Capital	4,023	33,320	36,977	366
Community Building Center	4,803	179	-	4,982
McCullough Escrow	-	45,672	43,928	1,744
Cemetery Trust	15,668	9,460	325	24,803
Cemetery Old Mausoleum	7,492	1,257	-	8,749
Proprietary Funds:				
Water Utility - Operating	325,197	1,304,177	1,417,743	211,631
Water Utility - Revenue Bond Accounts	1,425,325	648,391	703,586	1,370,130
Water Utility - Customer Deposit	52,957	63,064	68,591	47,430
Wastewater Utility - Operating	876,272	2,170,869	2,942,134	105,007
Wastewater Utility - Revenue Bond Accounts	1,711,536	1,001,145	268,310	2,444,371
Wastewater Utility - Customer Deposit	42,705	65,564	68,194	40,075
Trash Utility - Operating	136,151	322,521	294,041	164,631
Trash Utility - Customer Deposits	19,569	185,542	185,322	19,789
Fiduciary Funds:				
Police Officers' Pension	76,776	106,959	101,848	81,887
Firefighters' Pension	161,857	68,504	117,897	112,464
Payroll	117,367	1,418,637	1,428,874	107,130
Totals	<u>\$ 10,941,510</u>	<u>\$ 14,750,165</u>	<u>\$ 14,846,348</u>	<u>\$ 10,845,327</u>

The accompanying notes are an integral part of the schedules.

CITY OF GREENCASTLE
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, general administrative services, water, wastewater, and sanitation.

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 (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 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 GREENCASTLE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

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.

City of Greencastle



City Hall
 One North Locust Street, P.O. Box 607
 Greencastle, Indiana 46135
 765-653-3100

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Notes and loans payable	\$ 230,817	\$ 174,867
Bonds payable:		
General obligation bonds:		
Swimming Pool & Facilities	295,000	157,268
Purchase Building/Equipment for City Hall	480,000	47,950
Purchase Building/Equipment for Police Dept	750,000	50,000
Revenue bonds:		
Airport/Road Improvements	680,000	240,385
Total governmental activities long-term debt	<u>\$ 2,435,817</u>	<u>\$ 670,470</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
Refinancing Bond of 2001	\$ 4,200,000	\$ 425,893
Total Water Utility	<u>4,200,000</u>	<u>425,893</u>
Wastewater Utility		
Notes & Loans payable:		
Vactor/Vehicle	\$ 180,313	\$ 35,157
Vehicle	-	27,439
Revenue bonds:		
New Wastewater Utility Plant - SRF Loan	10,120,000	798,480
Refinancing Bond of 2001	1,530,000	145,149
Total Wastewater Utility	<u>11,830,313</u>	<u>1,006,225</u>
Total business-type activities long-term debt	<u>\$ 16,030,313</u>	<u>\$ 1,432,118</u>

CITY OF GREENCASTLE
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS – CITY

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

<u>Fund</u>	<u>Excess Amount Expended</u>
EDIT	<u>\$ 26,660</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."

CUSTOMER DEPOSIT REGISTERS – CITY AND UTILITIES

For the Water, Wastewater, and Trash Utilities, the detailed customer deposit registers do not reconcile with the amount recorded for customer deposits on the City's general ledger.

As of December 31, 2006, the cash available for customer deposits per the City exceeds the total of customer deposits per the Utilities' detailed deposit registers.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

POLICE DEPARTMENT RECEIPTS AND FEES - CITY

Receipts and fees collected by the Police Department were deposited and remitted to the Clerk-Treasurer less frequently than once a week.

The Police Department is responsible for depositing its receipts and fees. A summary sheet of the types and amounts of collections is then prepared by the department and remitted to the Clerk-Treasurer, along with the deposit slip. A test of the Police Department's 2006 receipts and deposits identified several instances of deposits containing receipts over seven days old. Of the ten deposits tested, five contained receipts over seven days old. In addition, a count of cash performed on March 24, 2007, identified receipts on hand over seven days old.

Receipts and fees collected by a Police Department should be remitted to the Clerk-Treasurer or City Controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

CITY OF GREENCASTLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

PREScribed FORMS - CITY

The following prescribed form was not in use by the Park and Recreation Department: General Receipt (General Form 352). Instead, generic prenumbered receipt forms were in use.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PARK AND RECREATION DEPARTMENT DEPOSITS - CITY

In numerous instances, receipts were deposited later than the next business day by the Park and Recreation Department.

The Park and Recreation Department is responsible for depositing its receipts and fees. A summary sheet of the types and amounts of collections is then prepared by the department and remitted to the Clerk-Treasurer, along with the deposit slip. A test of the Park and Recreation Department's 2006 receipts and deposits identified several instances of deposits containing receipts over one business day old. Of the twenty deposits tested, ten contained receipts over one business day old. One deposit contained a receipt issued twelve days earlier while another deposit contained a receipt issued ten days earlier.

Indiana Code 5-13-6-1(d) states, "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

INTERNAL CONTROLS FOR PARK AND RECREATION DEPARTMENT RECEIPTS - CITY

Controls for receipts generated by the Park and Recreation Department are insufficient. The following control weaknesses were identified during testing of receipts:

1. A cash register is not utilized to track concession sales of the Nonreverting Softball Fund. Concession sales in 2006 totaled \$13,507, but supporting documentation to verify this total was unavailable.
2. The use of generic receipt forms creates the possibility that additional receipt books could be easily purchased for issuing receipts, particularly for cash collections, without reporting or depositing of the collected amounts.
3. Receipts were not always issued in sequential order.
4. During a test of receipts, it was noted that on some days, three different receipt books were in use.
5. The type of collection - cash, check, or money order - was not always noted on the receipt.

CITY OF GREENCASTLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

6. Checks were included in deposits, but a receipt for the check does not appear to have been issued.
7. Cash was included in deposits, but a receipt for the cash collection does not appear to have been issued.
8. Receipt collections were handled by numerous employees, rather than handled by a few designated employees, thereby reducing accountability for cash.

The above noted weaknesses made it difficult to verify that all collections were deposited timely and intact.

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)

CITY OF GREENCASTLE
EXIT CONFERENCE

The contents of this report were discussed on April 25, 2007, with Nancy A. Michael, Mayor; Teresa P. Glenn, Clerk-Treasurer; Pamela S. Pierce, Deputy Clerk-Treasurer; Tiffany C. Brunes, Bookkeeper; Paul E. Wilson, Street Superintendent; Rod M. Weinschenk, Park and Recreation Director; George W. Russell, Wastewater Utility Superintendent; and Barbara J. Hathaway, Water Utility Office Manager. The officials concurred with our findings.

The contents of this report were discussed on April 25, 2007, with Thomas A. Sutherlin, Police Chief; and Alicia L. Linton, Police Department Administrative Assistant. The officials concurred with our findings.