

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF GREENCASTLE  
PUTNAM COUNTY, INDIANA

January 1, 2012 to December 31, 2012



**FILED**  
07/09/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lynda R. Dunbar	01-01-12 to 12-31-15
Mayor	Susan V. Murray	01-01-12 to 12-31-15
President of the Board of Public Works	Susan V. Murray	01-01-12 to 12-31-13
President of the Common Council	Adam Cohen	01-01-12 to 12-31-13
Superintendent of Water and Wastewater Utilities	Richard Hedge (Vacant) Robert Lovell	01-01-12 to 04-19-13 04-20-13 to 06-02-13 06-03-13 to 12-31-13
Superintendent of Water Utility	Edwin Phillips (Interim)	04-20-13 to 06-02-13
Superintendent of Wastewater Utility	Oscar King (Interim)	04-20-13 to 06-02-13
Water Utility Office Manager	Barbara J. Hathaway	01-01-12 to 12-31-13
Wastewater Utility Office Manager	Madonna A. Gose	01-01-12 to 12-31-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

***Report on the Financial Statement***

We have audited the accompanying financial statement of the City of Greencastle (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

***Management's Responsibility for the Financial Statement***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 of 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, 2012.

***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, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 13, 2013, 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.

***Accompanying Information***

*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,

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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.

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.



Bruce Hartman  
State Examiner

June 13, 2013



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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 GREENCASTLE, PUTNAM 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 Greencastle (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated June 13, 2013, 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.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

***City of Greencastle's Response to Findings***

The City's response to the findings 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 the financial statement and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Bruce Hartman  
State Examiner

June 13, 2013

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## FINANCIAL STATEMENT

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 GREENCASTLE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 660,941	\$ 3,456,315	\$ 3,220,886	\$ 896,370
Motor Vehicle Highway	303,315	725,898	660,021	369,192
Local Road And Street	28,968	37,760	57,108	9,620
Park Nr Basketball	11,208	3,497	10,549	4,156
Economic Development	19,878	-	-	19,878
State Grant	41,431	255	41,422	264
Law Enforcement Education	18,267	13,955	9,154	23,068
Riverboat Rev Fund	316,077	115,972	121,097	310,952
Park And Recreation	200,395	751,936	494,403	457,928
Rainy Day Fund	616,880	70,860	54,009	633,731
Hazmat Fund	346	1,971	-	2,317
Tif Allocation	2,862,061	1,183,764	1,297,146	2,748,679
Cci	210,264	990	52,582	158,672
Ccd	252,042	174,491	154,278	272,255
Park Non Revert Capital	69,163	363	-	69,526
Redev Dist Cap Fund	7,126	1,341,154	1,321,958	26,322
Industrial Development	201,254	62,313	64,767	198,800
Ccf	273,999	116,583	121,343	269,239
City Hall N/R	117,508	587	13,276	104,819
Police Pension Fund	97,603	115,820	111,872	101,551
Fire Pension Fund	125,598	117,134	120,278	122,454
Contractor Escrow	9,048	-	-	9,048
INDOT Grant	-	2,041,012	1,121,198	919,814
FACADE/OCRA Grant	-	587,570	467,377	120,193
ICHDA Grant	-	170,718	170,718	-
Albin Pond Dam Grant	-	478,474	478,474	-
Excess Levy	5,521	-	-	5,521
Cemetery	100,141	348,306	219,985	228,462
Donation Fund	103,059	135,386	49,395	189,050
Fema Fire Grant	1	-	-	1
Fire Dept Serv Chg Acct	9,911	107	7,543	2,475
Peg Access Account	1,422	-	-	1,422
Law Enforcement Fund	4,820	35	-	4,855
Local Grants	35,985	-	35,985	-
Tree Grant	631	10	-	641
Park Non Reverting Operating Softba	37,926	29,044	24,774	42,196
Economic Dev Income Tax	1,552,587	493,461	542,980	1,503,068
General Obligation Bonds	-	190,525	122,509	68,016
Community Rec Center	5,460	33	-	5,493
Cemetery Ground Improvement	68,808	35,674	29,308	75,174
Park Culture Rec	1,127	16	-	1,143
Old Mausoleum Fund	5,980	37	1,280	4,737
Payroll Fund	3,091	-	-	3,091
Cemetery Trustee	40,426	351	221	40,556
Trash Fund	325,894	319,807	284,642	361,059
Trash Deposit	17,711	620	-	18,331
Sewer Operating Fund	102,641	2,481,642	2,208,369	375,914
Sewage Bond & Interest	124,386	43,530	-	167,916
Sewage Improvement	1,240,211	6,306	-	1,246,517
Sewage Customer Deposit	38,029	1,770	-	39,799
Sewage Debt Service Resv	947,663	1,256	17,062	931,857
Water Operating	287,239	1,752,018	1,749,731	289,526
Water Bond And Interest	5,586	520,619	519,428	6,777
Water Meter Deposit	41,597	1,570	-	43,167
Water Improvement	829,779	4,219	-	833,998
Water Debt Serv Resv	456,159	103	153,839	302,423
Totals	<u>\$ 12,837,163</u>	<u>\$ 17,935,837</u>	<u>\$ 16,130,967</u>	<u>\$ 14,642,033</u>

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

CITY OF GREENCASTLE  
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, trash, 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 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. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF GREENCASTLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

CITY OF GREENCASTLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the 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.

**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.

CITY OF GREENCASTLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State statutes authorize 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.

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

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

Indiana Public Retirement System  
1 North Capital Street, 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.

CITY OF GREENCASTLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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.

*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.

CITY OF GREENCASTLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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  
1 North Capital Street, 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.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF GREENCASTLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road And Street	Park Nr Basketball	Economic Development	State Grant	Law Enforcement Education	Riverboat Rev Fund	Park And Recreation
Cash and investments - beginning	\$ 660,941	\$ 303,315	\$ 28,968	\$ 11,208	\$ 19,878	\$ 41,431	\$ 18,267	\$ 316,077	\$ 200,395
Receipts:									
Taxes	1,541,673	458,195	-	-	-	-	-	-	620,209
Licenses and permits	129,321	2,100	-	-	-	-	2,505	-	-
Intergovernmental	1,655,056	264,029	37,580	-	-	-	-	61,170	6,201
Charges for services	65,208	-	-	3,456	-	-	6,135	-	122,073
Fines and forfeits	625	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	64,432	1,574	180	41	-	255	5,315	54,802	3,453
Total receipts	3,456,315	725,898	37,760	3,497	-	255	13,955	115,972	751,936
Disbursements:									
Personal services	2,399,311	376,733	-	2,500	-	-	-	-	251,342
Supplies	124,969	150,819	-	2,929	-	-	-	-	82,928
Other services and charges	682,153	81,354	3,497	1,765	-	-	-	-	110,487
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	14,266	50,999	53,611	-	-	-	-	-	37,184
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	187	116	-	3,355	-	41,422	9,154	121,097	12,462
Total disbursements	3,220,886	660,021	57,108	10,549	-	41,422	9,154	121,097	494,403
Excess (deficiency) of receipts over disbursements	235,429	65,877	(19,348)	(7,052)	-	(41,167)	4,801	(5,125)	257,533
Cash and investments - ending	\$ 896,370	\$ 369,192	\$ 9,620	\$ 4,156	\$ 19,878	\$ 264	\$ 23,068	\$ 310,952	\$ 457,928

CITY OF GREENCASTLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Rainy Day Fund	Hazmat Fund	Tif Allocation	Cci	Ccd	Park Non Revert Capital	Redev Dist Cap Fund	Industrial Development
Cash and investments - beginning	\$ 616,880	\$ 346	\$ 2,862,061	\$ 210,264	\$ 252,042	\$ 69,163	\$ 7,126	\$ 201,254
Receipts:								
Taxes	-	1,950	1,168,315	-	171,422	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,714	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	70,860	21	15,449	990	1,355	363	1,341,154	62,313
Total receipts	70,860	1,971	1,183,764	990	174,491	363	1,341,154	62,313
Disbursements:								
Personal services	38,955	-	-	-	-	-	-	-
Supplies	-	-	-	-	9	-	-	-
Other services and charges	-	-	-	1,975	148,719	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	50,607	5,550	-	1,321,958	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	15,054	-	1,297,146	-	-	-	-	64,767
Total disbursements	54,009	-	1,297,146	52,582	154,278	-	1,321,958	64,767
Excess (deficiency) of receipts over disbursements	16,851	1,971	(113,382)	(51,592)	20,213	363	19,196	(2,454)
Cash and investments - ending	\$ 633,731	\$ 2,317	\$ 2,748,679	\$ 158,672	\$ 272,255	\$ 69,526	\$ 26,322	\$ 198,800

CITY OF GREENCASTLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Ccf	City Hall N/R	Police Pension Fund	Fire Pension Fund	Contractor Escrow	INDOT Grant	FACADE/OCRA Grant	ICHDA Grant
Cash and investments - beginning	\$ 273,999	\$ 117,508	\$ 97,603	\$ 125,598	\$ 9,048	\$ -	\$ -	\$ -
Receipts:								
Taxes	114,036	-	115,415	116,608	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	1,267	-	-	-	-	498,614	467,344	170,718
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	1,280	587	405	526	-	1,542,398	120,226	-
Total receipts	116,583	587	115,820	117,134	-	2,041,012	587,570	170,718
Disbursements:								
Personal services	-	-	350	350	-	-	-	-
Supplies	25,763	-	-	-	-	-	-	-
Other services and charges	6,974	12,827	111,522	119,928	-	1,121,198	134,008	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	88,606	449	-	-	-	-	333,369	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	170,718
Total disbursements	121,343	13,276	111,872	120,278	-	1,121,198	467,377	170,718
Excess (deficiency) of receipts over disbursements	(4,760)	(12,689)	3,948	(3,144)	-	919,814	120,193	-
Cash and investments - ending	\$ 269,239	\$ 104,819	\$ 101,551	\$ 122,454	\$ 9,048	\$ 919,814	\$ 120,193	\$ -

CITY OF GREENCASTLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Albin Pond Dam Grant	Excess Levy	Cemetery	Donation Fund	Fema Fire Grant	Fire Dept Serv Chg Acct	Peg Access Account	Law Enforcement Fund
Cash and investments - beginning	\$ -	\$ 5,521	\$ 100,141	\$ 103,059	\$ 1	\$ 9,911	\$ 1,422	\$ 4,820
Receipts:								
Taxes	-	-	291,711	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	478,474	-	2,917	-	-	-	-	-
Charges for services	-	-	52,763	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	915	135,386	-	107	-	35
Total receipts	478,474	-	348,306	135,386	-	107	-	35
Disbursements:								
Personal services	-	-	183,345	-	-	-	-	-
Supplies	-	-	15,727	-	-	5,745	-	-
Other services and charges	478,474	-	20,913	3,381	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	46,014	-	1,798	-	-
Total disbursements	478,474	-	219,985	49,395	-	7,543	-	-
Excess (deficiency) of receipts over disbursements	-	-	128,321	85,991	-	(7,436)	-	35
Cash and investments - ending	\$ -	\$ 5,521	\$ 228,462	\$ 189,050	\$ 1	\$ 2,475	\$ 1,422	\$ 4,855

CITY OF GREENCASTLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Local Grants	Tree Grant	Park Non Reverting Operating Softba	Economic Dev Income Tax	General Obligation Bonds	Community Rec Center	Cemetery Ground Improvement	Park Culture Rec
Cash and investments - beginning	\$ 35,985	\$ 631	\$ 37,926	\$ 1,552,587	\$ -	\$ 5,460	\$ 68,808	\$ 1,127
Receipts:								
Taxes	-	-	-	-	164,433	-	4,203	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	458,572	1,644	-	-	-
Charges for services	-	-	28,835	-	-	-	28,673	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	10	209	34,889	24,448	33	2,798	16
Total receipts	-	10	29,044	493,461	190,525	33	35,674	16
Disbursements:								
Personal services	-	-	1,500	-	-	-	-	-
Supplies	-	-	14,631	-	-	-	6,888	-
Other services and charges	-	-	8,423	-	-	-	-	-
Debt service - principal and interest	-	-	-	76,092	98,259	-	-	-
Capital outlay	-	-	-	466,888	-	-	21,915	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	35,985	-	220	-	24,250	-	505	-
Total disbursements	35,985	-	24,774	542,980	122,509	-	29,308	-
Excess (deficiency) of receipts over disbursements	(35,985)	10	4,270	(49,519)	68,016	33	6,366	16
Cash and investments - ending	\$ -	\$ 641	\$ 42,196	\$ 1,503,068	\$ 68,016	\$ 5,493	\$ 75,174	\$ 1,143

CITY OF GREENCASTLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Old Mausoleum Fund	Payroll Fund	Cemetery Trustee	Trash Fund	Trash Deposit	Sewer Operating Fund	Sewage Bond & Interest	Sewage Improvement
Cash and investments - beginning	\$ 5,980	\$ 3,091	\$ 40,426	\$ 325,894	\$ 17,711	\$ 102,641	\$ 124,386	\$ 1,240,211
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	311,632	620	-	-	-
Fines and forfeits	-	-	-	6,436	-	-	-	-
Utility fees	-	-	-	-	-	2,466,134	-	-
Other receipts	37	-	351	1,739	-	15,508	43,530	6,306
Total receipts	37	-	351	319,807	620	2,481,642	43,530	6,306
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	221	2,820	-	-	-	-
Other services and charges	1,280	-	-	274,565	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	93,695	-	-
Utility operating expenses	-	-	-	-	-	1,090,131	-	-
Other disbursements	-	-	-	7,257	-	1,024,543	-	-
Total disbursements	1,280	-	221	284,642	-	2,208,369	-	-
Excess (deficiency) of receipts over disbursements	(1,243)	-	130	35,165	620	273,273	43,530	6,306
Cash and investments - ending	\$ 4,737	\$ 3,091	\$ 40,556	\$ 361,059	\$ 18,331	\$ 375,914	\$ 167,916	\$ 1,246,517

CITY OF GREENCASTLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Sewage Customer Deposit	Sewage Debt Service Resv	Water Operating	Water Bond And Interest	Water Meter Deposit	Water Improvement	Water Debt Serv Resv	Totals
Cash and investments - beginning	\$ 38,029	\$ 947,663	\$ 287,239	\$ 5,586	\$ 41,597	\$ 829,779	\$ 456,159	\$ 12,837,163
Receipts:								
Taxes	-	-	-	-	-	-	-	4,768,170
Licenses and permits	-	-	-	-	-	-	-	133,926
Intergovernmental	-	-	-	-	-	-	-	4,105,300
Charges for services	-	-	-	-	-	-	-	619,395
Fines and forfeits	-	-	-	-	-	-	-	7,061
Utility fees	1,770	-	1,688,063	-	-	-	-	4,155,967
Other receipts	-	1,256	63,955	520,619	1,570	4,219	103	4,146,018
Total receipts	1,770	1,256	1,752,018	520,619	1,570	4,219	103	17,935,837
Disbursements:								
Personal services	-	-	-	-	-	-	-	3,254,386
Supplies	-	-	-	-	-	-	-	433,449
Other services and charges	-	-	-	-	-	-	-	3,323,443
Debt service - principal and interest	-	-	-	-	-	-	-	174,351
Capital outlay	-	-	107,332	-	-	-	-	2,646,429
Utility operating expenses	-	-	1,184,485	-	-	-	-	2,274,616
Other disbursements	-	17,062	457,914	519,428	-	-	153,839	4,024,293
Total disbursements	-	17,062	1,749,731	519,428	-	-	153,839	16,130,967
Excess (deficiency) of receipts over disbursements	1,770	(15,806)	2,287	1,191	1,570	4,219	(153,736)	1,804,870
Cash and investments - ending	\$ 39,799	\$ 931,857	\$ 289,526	\$ 6,777	\$ 43,167	\$ 833,998	\$ 302,423	\$ 14,642,033

CITY OF GREENCASTLE  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2012

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Trash	\$ -	\$ 3,877
Wastewater	-	9,455
Water	-	5,847
Governmental activities	<u>-</u>	<u>-</u>
Totals	<u>\$ -</u>	<u>\$ 19,179</u>

CITY OF GREENCASTLE  
SCHEDULE OF LEASES AND DEBT  
December 31, 2012

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Purchase Police Station	\$ 631,600	\$ 86,562
Revenue bonds	Purchase City Hall	<u>340,605</u>	<u>48,954</u>
Total governmental activities		<u>972,205</u>	<u>135,516</u>
Wastewater:			
Revenue bonds	Wastewater Improvement	1,059,500	123,523
Revenue bonds	New Waste Water Treatment Plant	<u>6,860,000</u>	<u>699,470</u>
Total Wastewater		<u>7,919,500</u>	<u>822,993</u>
Water:			
Revenue bonds	Water Utilities Improvements	<u>3,023,200</u>	<u>410,947</u>
Totals		<u>\$ 11,914,905</u>	<u>\$ 1,369,456</u>

CITY OF GREENCASTLE  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2012

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
<b>Governmental activities:</b>	
Infrastructure	\$ 2,437,842
Buildings	9,332,509
Improvements other than buildings	1,086,132
Machinery, equipment, and vehicles	10,138,739
Total governmental activities	22,995,222
<b>Trash:</b>	
Total Trash	-
<b>Wastewater:</b>	
Infrastructure	59,220
Buildings	16,454,950
Improvements other than buildings	61,868
Machinery, equipment, and vehicles	4,130,895
Total Wastewater	20,706,933
<b>Water:</b>	
Infrastructure	98,207
Buildings	6,715,742
Improvements other than buildings	77,461
Machinery, equipment, and vehicles	3,248,266
Total Water	10,139,676
<b>Total capital assets</b>	<b>\$ 53,841,831</b>

CITY OF GREENCASTLE  
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

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

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the City to reduce risks to the achievement of financial reporting objectives. The City has not separated incompatible activities related to cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Preparing the Schedule of Expenditures of Federal Awards: The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: local matching funds were sometimes included on the Schedule, the Schedule did not include every federal grant with expenditures, and the pass-through entity's identifying number was not always correct. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

***Report on Compliance for Each Major Federal Program***

We have audited the City of Greencastle'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 its major federal program for the year ended December 31, 2012. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for 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 its major federal program for the year ended December 31, 2012.

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 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 type 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Bruce Hartman  
State Examiner

June 13, 2013

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#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were prepared by management of the City. The schedule and note are presented as intended by the City.

CITY OF GREENCASTLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<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				
Albin Pond Dam	Indiana Office of Community & Rural Affairs	14.228	DR1B-09-017	\$ 478,474
Facades	Indiana Office of Community & Rural Affairs	14.228	ST-11-101	467,344
Supplemental Disaster Recovery Appropriation - 2 CDBG Owner-Occupied Rehabilitation	Indiana Housing and Community Development Authority	14.228	DR2SC-011-001	170,718
Total - Department of Housing and Urban Development				<u>1,116,536</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction				
Anderson Street	Indiana Department of Transportation	20.205	A249-12-320622	84,774
Streetscapes		20.205	A249-12-320655	196,475
Total - Department of Transportation				<u>281,249</u>
<u>Department of Homeland Security</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036		19,611
Total federal awards expended				<u>\$ 1,417,396</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF GREENCASTLE  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Greencastle and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF GREENCASTLE  
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; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	no
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Program:

Name of Federal Program or Cluster

State-Administered CDBG Cluster

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

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

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

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

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

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

During the audit of the SEFA, we noted the following errors: local matching funds were sometimes included on the Schedule, the Schedule did not include every federal grant with expenditures, and the pass-through entity's identifying number was not always correct. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

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

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

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

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

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

***Section III – Federal Award Findings and Questioned Costs***

No matters are reportable.

# City of Greencastle



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

Finding 2012-1  
Corrective Action Plan

June 13, 2013

State Board of Accounts  
302 Washington St., Room E418  
Indianapolis, IN 46204-2765

We have reviewed our internal control system and have designed the following control procedures; which will ensure the correction of our control deficiencies:

In order to improve the segregation of duties, thereby strengthening internal controls, effective with the January 2013 bank reconciliation, we began having someone other than the Clerk-Treasurer certify that the monthly bank reconciliations have been reviewed, approved, and in agreement with the General Ledger.

In order to strengthen the internal controls over the preparation of the financial statements, specifically the Schedule of Federal Expenditures, we agree to obtain a better understanding of what information is to be reported on the Schedule of Federal Expenditures to ensure accuracy and completeness.

  
\_\_\_\_\_  
Susan V. Murray, Mayor  
6.13.13  
Date

  
\_\_\_\_\_  
Lynda R. Dunbar, Clerk-Treasurer  
6-13-2013  
Date

CITY OF GREENCASTLE  
EXIT CONFERENCE

The contents of this report were discussed on June 13, 2013, with Susan V. Murray, Mayor; Lynda R. Dunbar, Clerk-Treasurer; Adam Cohen, President of the Common Council; and Mark Hammer, member of the Common Council.